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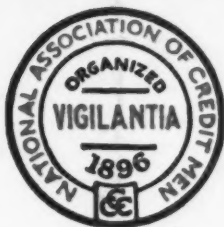
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# CREDIT MONTHLY

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## BUSINESS FUNDAMENTALS

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us,—granted sensible spending by the people  
and the DISCREET USE OF CREDIT,—an  
even better business than we enjoyed in 1923.*

J. H. TREGOE

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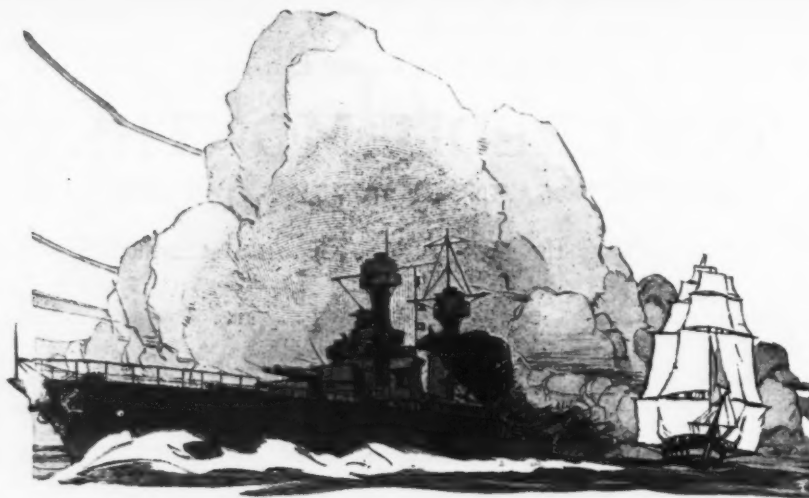
**THE CREDIT MONTHLY**

A NATIONAL MAGAZINE OF BUSINESS FUNDAMENTALS

Published by the National Association of Credit Men

WILLIAM WALKER ORR, *Editor*RODMAN GILDER, *Managing Editor*

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## The Credit Man's Credit with his Customers

**M**ORE important than the question of the credit standing of your customers is that of your credit standing with them. And, one of the best tests of your credit standing with your customers would be their feeling about coming to you for advice and help over difficult places.

There are times in the life of nearly every business when, through error in judgment or downright misfortune, the officers or partners in their perplexity would reach out for the friendly interest of some creditor who has an understanding heart and can be trusted to work without hidden motive and to lend a hand.

In such circumstances, would your customers think of you and your house? You will search for the answer not among your own avowals of good-will and claims of service but in the vitality of the human touch and relationship which you and your fellow associates of the house have been able to establish.

Business is business, but so long as man continues a creature of impulses he will, in large measure, be moved in business as in all his other activities,—by sentiment. And if sentiment arises from the exercise of rational powers as well as moral feelings its conclusions may safely be relied upon.

What are your customers' sentiments toward you?



Editor.



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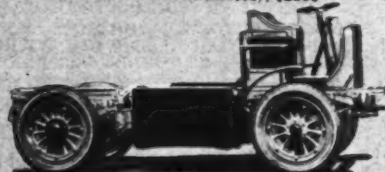
4 to 6 ton gas Autocar  
120" wheelbase  
Chassis price, \$4650



4 ton Autocar Electric  
120" wheelbase  
Chassis price (without batteries), \$2800



4 to 6 ton gas Autocar  
156" wheelbase  
Chassis price, \$4900



1 ton Autocar Electric  
107" wheelbase  
Chassis price (without batteries), \$2400



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# THE CREDIT MONTHLY

VOL. XXVI

JANUARY, 1924

No. 1

## Bankruptcy Court Administration

A Referee Tells How It May Be Improved

By C. L. Marsilliot

Referee in Bankruptcy, Western District of Tennessee

**T**HERE occurs in the most recent report of the Bankruptcy Law Committee of the National Association of Credit Men this sentence which to my mind epitomizes the whole situation in bankruptcy procedure:

"If we can but arouse the conscience of business to the importance of using the Bankruptcy Law as intended, our work would be accomplished, and the law would give better results, even though it were not amended in any particular or new features of administration added."

The great trouble is that those most interested in the administration of the Bankruptcy Law, the concerns extending credit throughout the country, have endeavored to remedy the results of their own neglect by tinkering with the law instead of exerting the necessary efforts to see that the law is properly administered,

### ABUSES BY COURT OFFICERS

It is undoubtedly true that there have been gross abuses in the administration of the law by the officers or the court. There are reasons for this.

First, many of the Federal Judges have been so over-crowded with work that they have had no time to gain such a familiarity with the magnitude and importance of the litigation before the Court of Bankruptcy as to realize the necessity of appointing none but men of the highest integrity and professional ability available for that office. For the same reason improper practices have existed without the knowledge of the District Judge.

Second, there has been a lack of appreciation on the part of Referees in many instances of the dignity and responsibility of their office. Too often, the business of the Court of Bankruptcy has been transacted in an office, and frequently by interviews on the streets, or by telephone messages between the Referee and the attorneys. There has

been a lack of recognition of the fact that the Referee in Bankruptcy is, in effect, an associate judge of the United States District Court, charged with the administration of the law relating to bankruptcy. The law confers upon the Referee broad powers in bankruptcy matters, which means that there rest upon that officer serious responsibilities. At times, the office of Referee has been regarded as a means of political reward, valuable only for the revenue accruing to the incumbent, the object being to get everything possible out of it. I do not mean to say that there are not many honest and capable Referees, faithfully performing the duties of their office; but there have been enough abuses in various parts of the country to create widespread dissatisfaction.

Third, the system obtaining virtually all over the country in transacting the business of the Court of Bankruptcy is all wrong and tends to bring about the state of affairs described. Publicity of the proceedings of the court is the strongest preventative of incompetence and wrong doing. It has been demonstrated in my district that there is no reason why the Court of Bankruptcy should not be conducted as is any other court.

### JUDGE ROSS' METHOD

It is only fair to the Hon. J. W. Ross, Judge of the United States District Court for the Western District of Tennessee, to say that he has put in practice a conception of the Court of Bankruptcy which has proved to be a solution of most, if not all, of the difficulties which have arisen in the administration of the law. A brief description of the method adopted by Judge Ross may be of some interest.

There is appointed by the Referee, with the approval of the Judge, a clerk of the Court of Bankruptcy, who conducts the business of the court just as does the clerk of any other court. The clerk arranges the cases on a regular

calendar. During the busy months of the year from September 1 to June 1, sessions of the court are held two days a week, it being understood, of course, that other sessions may be held in urgent matters upon the application of counsel. During June, July and August regular sessions are held two days in each month, with the same provision for emergencies.

The sessions of the court are held in a small court room in the government building. (Where no such space is available in a government building, provision can easily be made for a court room.) The court is opened and closed with the same formalities that are observed in the opening and closing of the United States District Court, with the usual dignity and decorum prevailing in United States Courts in general. This results in an increased respect for the proceedings of the court, and greatly expedites the dispatch of business.

The first order of business is the entry of consent orders or decrees or such orders as go as a matter of course. The Clerk then sounds the calendar, so that in any cases in which a proper reason is advanced there may be a postponement to another date and counsel in those cases excused. The cases marked ready are then called and disposed of in their regular order.

In all voluntary cases the bankrupt is required to appear for examination. The Referee has a bench docket, with a corresponding docket on the desk of the Clerk, on which notations are made as to the disposition of all cases.

No business of the Court of Bankruptcy is transacted in the office of the Referee, except the signing of orders which have been handed in and of other documents requiring the signature of the Referee, and excepting such conferences as may be necessary to enable the Referee to supervise the actions of Trustees, and further excepting occasional applications for injunction or some similar urgent matter.

All of the proceedings of the court are in public in the court room. Applications for the allowance of fees of counsel are made by motion on a regular motion docket kept for that purpose in the office of the clerk of the Court of Bankruptcy, which motion docket is called at 2:00 o'clock every Friday. If application is made for the allowance of a fee of \$500 or over, ten days' notice in writing must be given to all creditors of the date of hearing such application.

When it becomes necessary for the Referee to appoint a Trustee, a man is selected not only on the basis of his integrity but of his ability and familiarity with the particular kind of business in question. There are no political hangers-on around the court.

The reports of all trustees are required to be present in open court, and no order of any kind is made except in open court, unless in case of an injunction or other matter of like urgency.

In all contested matter Judge Ross requires that the Referee shall write an opinion, with findings of fact and authorities, which readily enables the District Judge and counsel to know and understand just exactly what the referee did and the reasons for his action.

In the Eastern Division, presided over by Hon. S. Homer Tatum, Judge Ross has required that the business be concentrated at Jackson where the Referee hears all cases, and this plan has worked with equally satisfactory results there.

When all of the business of the Court of Bankruptcy is transacted in open court, where everybody can see and hear exactly what is done, the danger of mal-practice is reduced to a minimum.

#### COMPLAINTS TO THE DISTRICT JUDGE

Moreover, in justice to the District Judges it should be said that if there be just ground for complaint against the administration of the law in any district, it is not only the right, but the duty, of those most interested to make, without hesitation a complaint to the District Judge. I do not mean by this that the Judge should be annoyed and harassed with groundless criticisms of the Court of Bankruptcy, or with petty differences of opinion as to the propriety of this or that action of the Referee. But where there is substantial ground for complaint, he will, upon the presentation of the facts to the District Judge, promptly remedy the trouble. I do not believe for a moment that any District Judge would refuse to grant relief in such a case, but, even in that event, complaint to the Department of Justice at Washington would very soon bring results.

Creditors have a right to demand that the law be honestly and capably administered, and if they fail to avail themselves of their rights, they have no one to blame but themselves.

#### OBLIGATION TO ASSIST THE COURT

In this connection, it has unfortunately happened that creditors have been rebuffed and treated with such scant consideration that they have become discouraged from attempting to assist the court. Even now in this district, after more than a year of efforts to convince creditors that their pres-

ence and their help are needed in the proceedings of the court, I have often called meetings of creditors when the court was exceedingly anxious to have the advice and counsel of business men in the handling of assets, only to find, when the case was called, that not a single one had responded. This ought not to be. Referees should at all times seek and welcome the co-operation of the best business men among creditors; and creditors, on the other hand, must respond if they expect the court to function in a satisfactory manner.

#### FAIR COMPENSATION FOR REFEREES

There has been a great deal of agitation with regard to the fees of Referees. It was strongly urged before the Senate Judiciary Committee that Referees should be required to pay, out of their compensation, all of the expenses of administration, that is, the clerk, stenographic hire, stationery, office rent, telephone and all similar expense items. Where this brilliant idea originated I do not know, but I am certain of one thing, and that is that the author of this scheme either knew nothing about the administration of the law, or had some reason for desiring to cripple the administration to the point of destroying it altogether. Slight reflection or investigation will demonstrate that such an enactment would have immediately forced the retirement of at least 90 per cent. of the Referees in Bankruptcy. If such an enactment had been adopted, not a single lawyer in the Western District of Tennessee could have been induced to accept an appointment as Referee.

Matters of grave importance, frequently involving large sums of money, come before the Courts of Bankruptcy. Men of large affairs throughout the country, in selecting assistants charged with the performance of duties requiring much less professional skill than that necessary to enable most Referees in Bankruptcy to perform their duties, recognize, without a moment's hesitation, that in order to command such services the remuneration to be paid must be greatly in excess of the fees received by the average Referee in Bankruptcy. When, however, it comes to the emoluments of a man who occupies the position of judge of an important court handling difficult matters, often involving great sums of money, they balk,—and then complain because of the results of their own parsimony.

It has been decided by more than one Circuit Court of Appeals that the findings of fact by a Referee in Bankruptcy are entitled to the same weight as those of a District Judge, and that the orders and decrees of a Court of Bankruptcy have the same force and effect as those of any other court of record. Moreover, it has been held that the Court of Appeals will not review the concurrent findings of fact of a Referee and a District Judge; yet we find an effort being made to saddle on Referees all of the expenses of administration of their office, resulting, in most instances, in a virtual denial of all compensation. Instead of reducing the fees of Referees, the effort should be made to have the compensation sufficient to attract to the office men of the highest integrity and of first-rate professional ability.

One illustration will suffice: The act

provides that the Referee shall receive only one-half of one per cent. of the amount disbursed to creditors in composition cases. Now notice the certificate which the Referee is required to make in transmitting a composition to the District Court:

"That, so far as appears from the files and records herein, said composition will be for the best interest of the creditors, and is made in good faith and not procured by any means, promises, or acts prohibited by said Bankrupt law, nor has the Bankrupt been guilty of any of the acts, nor failed to perform any of the duties which would be a bar to his discharge."

If the Referee faithfully performs his duty, the compensation allowed for conducting a composition proceeding is so far out of proportion to the skill required and the labor involved as to be indefensible. Again, it may be, and frequently is, necessary for the Referee to sit day after day in the conduct of hearings in fraudulent cases, ruling on the admissibility of testimony and passing on many important questions, for all of which the law makes no provision whatever for compensation. Once in a while such a hearing results in the uncovering of valuable assets, in which event the Referee may derive some financial benefit; but more often the Referee finds that he has done an enormous amount of work without a dollar of pay except the ordinary fees provided by the law. It has been said that the findings and conclusions of the Referee are not so very greatly important, for the reason that any error he makes may be corrected by the Judge on petition for review; but the fact is that the judges are already greatly over-loaded with work; the Referee saw the witnesses, heard them testify, observed their manner and demeanor on the witness stand, and the District Judge must of necessity depend largely upon the Referee to find the facts. It has been frequently stated that if the Referee is not satisfied with the compensation allowed by law, his remedy is to decline appointment. This is true, of course, but does this solve the difficulty? Would the reduction of the compensation of Referees, by requiring them to pay the expenses of administration of their office or by lowering their fees, result in an improvement in the administration of the law?

If the administration of the office of Referee in Bankruptcy is a matter of little or no importance to the commercial interests of the country, it is immaterial what legislation is enacted, or how matters relating to bankruptcy are conducted. If, on the other hand, the subject of administration of the law is one of vital moment to American business men, it follows that:

1. The emoluments of Referees must be such as to compensate adequately men of character and professional skill and offer them an inducement to undertake the work.
2. It is the duty of District Judges, without reference to political affiliations, to select and appoint to that office the very best men available in their respective Districts.
3. The commercial interests of the country must cooperate actively with the Court of Bankruptcy, and insist that not only shall its proceedings be at all times conducted in public, but that the whole administration shall be managed solely in the interest of the public.

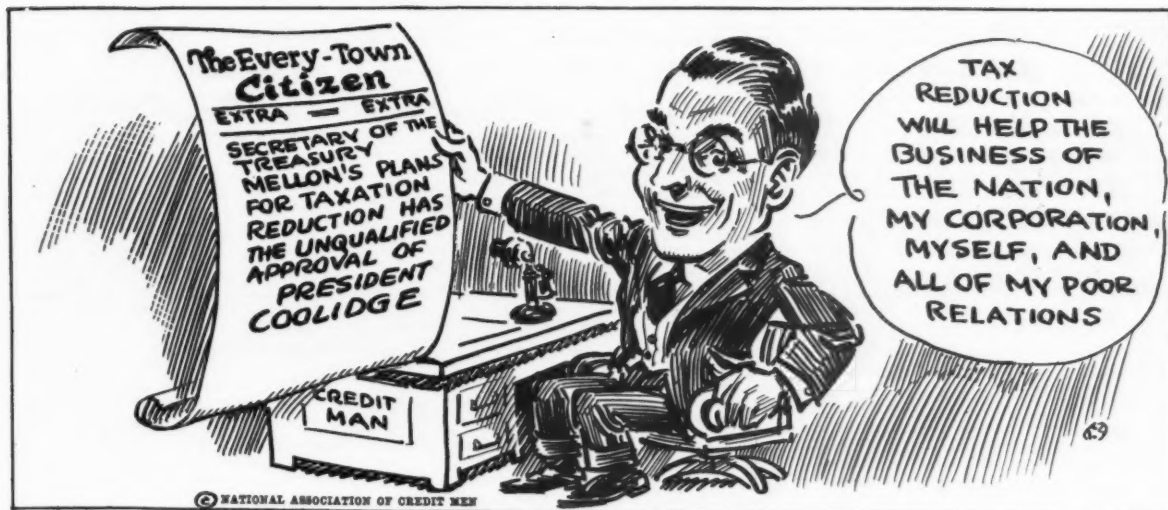


# Surtax Avoidance Increasing

## Meanwhile Salaried Man is Disproportionately Taxed

By George O. May

Price, Waterhouse & Co., New York



The following is a letter, dated November 26, 1923, to Hon. William R. Green, then Acting Chairman, Committee on Ways and Means, House of Representatives, from George O. May, an expert on taxation. Copies of the letter were sent to the ranking members of the United States Senate Finance Committee and to Secretary of the Treasury Andrew W. Mellon.

HAVING been a student of taxation for many years and having had the opportunity in various capacities to acquire some familiarity with the actual working of the income tax laws, I venture to write you in advocacy of the program recently outlined to you by Secretary Mellon. Many of the suggestions contained in the Secretary's letter will, I imagine, be immediately understood and approved. The reasons underlying the suggested rearrangement of surtaxes on the higher incomes are, however, probably less generally appreciated, and I would like to submit some considerations bearing particularly on that recommendation.

The argument that the high surtaxes divert capital from productive industry and encourage municipal extravagance by unduly stimulating the market for tax-exempt securities is unquestionably sound. It is, however, becoming of less relative importance for the reason that tax avoidance is growing more rapidly and is less limited in scope than tax exemption. I believe the time has come when justice to the earners who cannot resort to tax avoidance, and to those possessors of investment income who do not resort to it, requires either that the present extreme surtaxes shall be made generally effective or, if that be impossible, as it has proved to be up to the

present, that the rates shall be reduced to a point where substantial enforcement becomes practicable.

### TAX AVOIDANCE INCREASING

It is difficult to arrive at definite conclusions regarding the extent of tax avoidance, especially as its effect is obscured by the increase in taxable income resulting from the rise in price levels and other causes since the high surtaxes were first imposed. Moreover, the latest statistics available are those for 1921, and tax avoidance has extended greatly since that time. In tables attached hereto I submit some comparative figures which throw light on the question, and I would particularly draw your attention to the following facts:

Incomes over \$100,000 constituted 25.4 per cent, of the total income reported in 1916 and 5.4 per cent and 4.6 per cent, in 1920 and 1921, respectively—returns under \$3,000 being eliminated in all cases so as to make the figures fairly comparable.

If all salaries and wages be omitted, the percentages for the three years become 36 per cent, 9.1 per cent, and 8.3 per cent, respectively.

The income from business, professions, etc., reported in classes over \$100,000 fell from 862 millions, or over 25 per cent of the whole; in 1916 to 260 millions or about 5½ per cent in 1920, and to 136 millions, or 4½ per cent of the whole, in 1921.

Dividends reported in classes over \$100,000 fell from 944 millions, or roughly 44 per cent of the whole in 1916, to 465, or 18 per cent in 1920, and 332 millions, or 15 per cent in 1921.

Rents and royalties remained substantially unchanged in total, but the amount reported in classes over \$100,000

fell off 60 per cent in 1920, and 70 per cent in 1921, as compared with 1916.

Even salaries showed a falling off in the higher groups in 1920 and 1921 as compared with 1916, and, though this falling off is not so marked as in the cases of business incomes, dividends, rents and royalties, it is sufficiently striking in view of the fact that the total salaries and wages reported in all classes increased in the same period some four or five-fold.

Thus a striking reduction is seen under every head, and I believe the conclusion is fully warranted that the taxable income reported to-day in the highest surtax groups is not more than between 10 and 20 per cent of what it would be but for tax exemption and deliberate tax avoidance. If earned income could be excluded from the computation the percentage on the remainder would fall to still lower figures.

The second table attached clearly shows a similar tendency for incomes between \$50,000 and \$100,000, in spite of an increase in salaries subject to tax in those groups, amounting to about 150 per cent in 1920 and 90 per cent in 1921.

Unless this condition can be remedied, surely the continuance of the present high surtaxes is indefensible. And study of the subject leads to the conclusion that the present situation is not due mainly to defects in the form of the present law, although some defects exist which could be remedied with benefit to the revenue. The difficulty lies far deeper. The distinction between capital and income is at best difficult to draw and the complexities of modern business have greatly enhanced this difficulty. Tax laws must be specific, and, according to well settled rules of construction, must be interpreted strictly—any am-

biguities being resolved in favor of the taxpayer. The form of every business transaction, and, indeed, whether the transaction shall or shall not take place, is determined by the taxpayer, and his decision is reached with a knowledge of the tax law and is usually framed so as to produce the greatest possible profit after taking taxes into consideration.

gress has taken its position and deals with specific proposed transactions, capable of infinite variation in form, and time to meet the rules laid down by the Legislature. Naturally the result of the conflict is as disappointing to the Treasury as it is demoralizing to the taxpayer.

Whatever may be possible in time of war, all experience shows that it is impossible in times of peace to levy sur-

taxes on any such scale as is now in force with any degree of efficiency or with any approach to equity. I am convinced that readjustment of the surtaxes will ultimately benefit the revenue as well as the business of the country and will make taxation far more equitable. I hope, therefore, that your committee will favorably regard the Secretary's proposals on this as well as on other points.

## TOTAL INCOMES AND INCOMES OVER \$100,000

COMPARISON OF TOTAL INCOMES AND OF INCOMES OVER \$100,000 BY SOURCES FOR THE YEARS 1916, 1920, AND 1921. BASED ON "STATISTICS OF INCOME" PUBLISHED BY TREASURY DEPARTMENT

(Note—Incomes under \$3,000 are omitted in all cases in order to make comparison on the same basis possible)

	Total (millions of dollars)			Paid on incomes over \$100,000			Percentage of total accrued from incomes over \$100,000		
	1916	1920	1921	1916	1920	1921	1916	1920	1921
* Business, etc. ....	3,309	4,709	2,952	863	260	136	25.4	5.4	4.6
Dividends .....	2,136	2,584	2,145	944	465	332	11.2	18.0	15.5
Rents and royalties .....	644	699	669	80	32	24	12.5	4.6	3.6
Interest and miscellaneous ..	702	1,235	1,094	181	104	65	26.3	8.4	5.9
Gross income (except salaries and wages) ..	6,872	9,227	6,860	2,068	861	557	30.1	9.3	8.1
General deductions .....	2,051	2,382	2,134	333	239	163	16.2	10.0	7.7
Net income (except salaries and wages) ..	4,821	6,845	4,726	1,735	622	394	36.0	9.1	8.3
Salaries and wages .....	1,478	6,656	5,691	121	105	69	8.1	1.6	1.2
Net income—Total ..	6,299	13,501	10,417	1,856	727	463	29.5	5.4	4.5

\* This heading includes incomes from businesses, professions, and vocations, fiduciaries, and profits on sales of property. Subdivision of the total is impracticable on account of changes in classification in the statistics.

### INDIVIDUAL vs. CORPORATION TAXES

The difference in taxation between corporations and individuals alone create an almost insoluble difficulty. The ease with which incorporation and disincorporation are effected; the difficulty of making laws and regulations governing corporations which will apply with equal justice to the large public corporation and the small private corporation, which practically represents an individual fortune, and the further fact that between these two extremes there are innumerable gradations, so that it is impossible to draw hard and fast lines and to treat corporations on one side of the line in one way and corporations on the other side of the line in another—these and other such conditions make it impossible for legislation ever to do more than temporarily check the increase of tax avoidance so long as the inducements to tax avoidance are so compelling as they are today in the case of all those possessing more than a very moderate income.

If it were possible to lay down a few broad principles and leave the administration of the surtax to the discretion of a highly competent taxing authority which could be governed by the substance rather than the form of the transaction it might conceivably be possible to administer the surtaxes on the present scale with some measure of efficiency. This is, however, impossible and under any other conditions the form rather than the substance inevitably determined the tax and the form is selected by the taxpayer so as to defeat the tax.

The continuance of the high surtaxes therefore means an unedifying contest of wits between the tax avoider and his advisers on the one side and Congress and the Treasury on the other—with all the advantages on the side of the tax avoider and those who are unwilling or, like most earners, unable to avoid taxes, caught between the two and bearing the brunt of the conflict.

Congress must legislate in advance and on broad lines to meet all conditions. The tax avoider acts after Con-

## COMPARATIVE NUMBERS OF PERSONAL INCOME TAX RETURNS

Income Classes—	Number of Returns	Number of Returns	% of 1916	Number of Returns	% of 1916
	1916	1920		1921	
\$10,000 to \$20,000 .....	67,927	148,101	218	114,244	168
Over \$20,000 .....	53,772	78,019	145	58,115	108
Over \$50,000 .....	17,085	15,742	92	11,069	65
Over \$70,000 .....	10,916	7,951	73	5,398	49
Over \$100,000 .....	6,633	3,649	55	2,352	35
Over \$200,000 .....	2,449	868	35	535	22
Over \$300,000 .....	1,296	395	30	246	19

NOTE—Total income reported for all classes was: In 1916, \$6,299,000,000; 1920, \$13,501,000,000 or 214 per cent of 1916; 1921, \$10,417,000,000, or 165 per cent of 1916.

## The Credit Man's Health

By Paul Struck

Kedney Warehouse Co., Inc., Minneapolis  
EVERY credit manager who is imbued with the principles of the National Association of Credit Men, is entirely convinced of the necessity of constant study in order that he may fulfil the many obligations of his position. I fear however that, as a class, credit managers may neglect their physical welfare more than some other groups of American business men. In looking over the biographical sketches published in the CREDIT MONTHLY, I always delight in seeing that a credit manager is a golf or tennis fan, and I am almost as enthusiastic when I read that he is a motorist or even a baseball fan.

For the very reason that credit work is essentially a mental occupation, I believe that the importance of physical well-being should be stressed in the national convention of the organized credit men and in the CREDIT MONTHLY. I appreciate, however, that we have many important subjects to cover and that to add to them would be difficult.

I understand that at a meeting of credit men of two states at Newark, N. J., Walter Camp was very favorably received when he outlined his doctrine of physical fitness. And I hope many were inspired to a program of the sort he recommends.

Quoting Frank H. Skinner in the May 1922 issue of the CREDIT MONTHLY: "When the benefits of physical fitness get under a business man's skin he usually wants to share them with his fellow workers."

That is exactly my own case, because a few years ago I was the victim of a nervous breakdown and felt very strongly for those likewise afflicted. It is generally supposed that a long rest and freedom from business cares is necessary for recovery from nervous troubles. No doubt this is highly desirable and probably essential in some cases, but I succeeded in "getting from under" by a systematic diet, exercise and change of mental attitude.

When finally back to physical and mental normality I appreciated it so much that I have made it a business to keep fit since. A little exercise each day of the right sort, a reasonable amount of fresh air, and proper diet will do the trick. The value returned is immeasurable.

The credit man, confined as he is, will inevitably find himself slipping physically unless he gives the matter serious thought—followed by action. How often have I talked thus to the fraternity and met with hearty agreement, but no action! And at every meeting I see dozens of credit men in vital need of physical reconstruction.



# Encouraging Facts About Europe

## Currencies May Be Stabilized at New Levels

By John Moody

President, Moody's Investors Service, New York, N. Y.

**W**HILE the financial and economic condition of Europe is still full of disturbing features, and the lack of confidence in ultimate European recovery seems as strong as ever among many people, at the same time there are constructive sides to the situation which should be emphasized. Some of these constructive facts are the following:

During the past year the economic condition of the masses in France, Italy, Belgium, and in most of Central Europe outside of Germany, has been improving surprisingly. As an example of this, certain statistics regarding France are pertinent. During the past year, unemployment in France has been reduced practically to zero and in the Summer of 1923 the Government records showed that in the city of Paris there were less than two hundred people known to be out of employment. The railroad tonnage on French railroads in 1923 underwent a heavy increase; the Government revenues from various forms of taxation have, during the past year, increased more than ten billion francs without any changes in tax rates. The devastated regions of France during 1923 have been restored to production to the extent of more than 85 per cent. and for the first year since the war, these devastated regions have now been placed under taxation again. Business enterprises throughout nearly the whole of France report heavy volumes of production and in some sections are surprisingly prosperous. This has been especially true, during the past year, of the steel and iron industry and the textile industry, the latter having made remarkable strides.

### GERMAN INDUSTRY PROSPEROUS

And in Germany, in spite of the bankruptcy of the nation, the unsettlement caused by the collapse of the mark and the uncertainties regarding the final reparation settlement, there was, up to recent months, much evidence that industry was prospering to a surprising extent and that the populations in the industrial centres outside of the Ruhr district were fully employed. The agricultural conditions in Germany during 1923 were exceptionally good because of large crops and favorable weather conditions. The German farmers were not as adversely affected by the currency unsettlement as the industrial workers and the peoples in the towns and cities, and therefore that condition has remained far more normal throughout the present year.

In Austria and Czechoslovakia, although relatively bad conditions still prevail, there has been a surprising turn for the better among the people since 1922. Austria and especially the city of Vienna appear to be on the road to recovery so far as the economic situation is concerned.

The fundamental facts regarding the

economic outlook of these countries are really more constructive than destructive, and this is a side of the whole European problem which should be kept constantly in mind. It means, if it means anything, that European civilization, instead of being headed for destruction, is really creeping slowly back to normal condition. Progress is undeniably slow, but nevertheless it is progress.

The side of the European problem, however, which puzzles most people, is the financial condition of the Governments themselves. Germany is in chaos so far as its governmental finances are concerned. Belgium, France and Italy are loaded with enormous internal debts, both funded and floating debts, and are carrying on their activities with heavily inflated currencies. And as for the Central European countries, all of them are handicapped by lack of credit unwieldy, unbalanced budgets and more or less worthless paper currencies.

A great many people in this country, as well as abroad, take it for granted that the most important thing for European countries to do is to retire their redundant paper money and bring the value of this money back to par. Many people think that France and Italy, for example, cannot really prosper and get on their feet until they have brought their currencies up to old values. It is said that when France is able to make the franc worth nineteen cents again, she will be in a position to get on her feet and not before. It is said that when Italy can make a lira worth nineteen cents again, she will get on her feet.

### ITALY AND FRANCE SHOULD STABILIZE CURRENCY AT PRESENT LEVELS

The real truth of the matter is, however, that the only hope for Italy and France getting on their feet and restoring their credit during the present generation, is to keep their currencies stabilized around the present low level. France has an enormous internal debt in paper francs and a very small external debt, aside from the so-called Inter-Allied debt. It would therefore be suicidal for France to exert any effort to bring the gold value of the franc up to its old gold value. This would mean that her debt would immediately be increased three-fold. The same reasoning applies to Italy, to Belgium, to Czechoslovakia, to Poland, and to other war-ridden countries.

The whole theory of the French attitude on the reparation problem and the theory of French financiers on the ultimate meeting of France's internal debt, is that the gold value of the franc will remain approximately where it is. All demands on Germany for reparations are and will continue to be figured in gold marks. Thus, if France is finally able to collect from Germany, even though it takes thirty years, a sum like

twenty-six billion gold marks, she will have the equivalent of about \$6,500,000,000. Figuring the franc at a gold value of six cents, this means that with this \$6,500,000,000 she can take care of something like 110,000,000 francs of her own internal debt, and this is about the sum that the French Government has spent since the war in Northern France to restore the devastated regions. If, however, the franc should be pushed up in gold value to nineteen cents, then this amount of reparation from Germany would only cover about one-third of the French debt which has been created in restoration work.

The same theory applies to Italy and to Belgium and it is just because of the fact that the value of the franc is likely to be kept around six or seven cents for a long series of years, that the amount of reparation that Germany will ultimately pay will probably cover the minimum needs of these countries.

The question is asked "How can France, Belgium or Italy build up production, maintain a stable economic condition and increase their exports and restore their credit, if these inflated paper currencies are to continue in circulation indefinitely?" My answer is that they could not possibly do these things unless these inflated currencies remain, for a long period of time, just about where they are now. The one thing needful is not deflation of currencies but it is stabilization of currencies. And in France and Belgium, during the past three years, there has gradually developed a sort of healthy stabilization of French and Belgian francs. While they have fluctuated between five cents and nine cents, yet for most of the time, and especially during the past year, these francs have remained in the neighborhood of six cents. Now, if the *par* value of the French or Belgian franc were changed from nineteen cents to six or seven cents, it would at once be seen that the franc is apparently not inflated at all. For, as a matter of fact, if we figure the French franc as having a permanent value of six or seven cents, we will find on investigation that the ratio of gold reserve back of such a franc is today higher than the ratio on a nineteen cent franc was in 1913. In other words, while there are outstanding today about 38,000,000,000 six cent francs, as compared with 6,500,000,000 nineteen cent francs ten years ago, there is a reserve in the Bank of France today of much more than 5,500,000,000 gold francs, or about \$1,100,000,000, as compared with far less in 1913. The Bank of France has the largest gold holding in the world outside of the holding of the United States Government.

Perhaps there will never be any formal decree deflating the *par* value of the franc to six cents, but formal decrees are not as effective as custom in changing

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## Wanted—Co-operation Between Parties



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Rollin Kirby's cartoon in the N. Y. World.

# The Case Against High Surtaxes

**N**OWHERE has the case against high taxes been so aptly put as in Adam Smith's fourth cardinal principle of taxation: "Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state. A tax may take out or keep out of the pockets of the people a great deal more than it brings into the public treasury, by obstructing the industry of the people and by discouraging them from applying to certain branches of business which might give maintenance and employment to great multitudes. It may thus diminish or perhaps destroy some of the funds which might enable them more easily to pay taxes."

This indictment of high taxes in general is particularly an indictment of the present high surtaxes, for these surtaxes not only are not productive of the amount of treasury income, for which they were designed, but have resulted in the diversion of funds from industry to less productive and non-productive enterprises.

To argue, in the face of the well-established fact of the flight of American capital to tax exempt securities,

that a proposal for a reduction of rates is designed for the benefit of the holders of great funds is to deal in unrealities. For the economic fact is that these holders of great wealth are now in large part relieved of paying taxes, and that they will only return to productive enterprise when their returns from it approximate the returns from tax exempt securities.

We are in complete accord with the progressive principle of taxation under which members of society are asked to pay in accordance with their ability to pay. But a graduated system of taxation based on that theory that fails to adjust itself to the existence of vital facts, such as the existence of tax free securities, not only does not ensure social justice, but actually thwarts it.

There are only two ways out. One is the elimination of tax exempt securities. This involves long constitutional discussions, and therefore may never be possible. The other is an adjustment in rates to meet the economic facts. This adjustment provided for in Secretary Mellon's proposal is susceptible of immediate legislative action. And its enactment will enure to the economic and social benefit of the whole body politic.

John Whyte.

# A Closer Watch on Business

## Trend of Check Transactions as an Index

By C. N. Stone

In using such indexes as Mr. Stone so well describes, the careful credit analyst will bear in mind that the comparisons show the condition of cities as compared to their own past performances, and do not necessarily show the relative position as a sales or credit prospect of a city as compared with other cities.

The Credit Monthly will welcome an expansion of the discussion of the subject—THE EDITOR.

**M**EMBERS of the Association have often told me this:

"I wish I could find time to keep more closely in touch with business conditions in the various localities where we have active accounts. But I am too busy. There is an endless stream of telephone calls, interviews, correspondence, routine work, and always a rush-job or so on top of everything else. I have fully intended to make some systematic study of business conditions when I get a spare moment—but that moment never arrives!"

### THE PROBLEM—HOW TO FIND TIME

What is the answer to this situation, which is probably typical of the day's work of nine credit men out of ten? How is an executive with almost continuous urgent demands on his attention going to find any opportunity for added study and analysis? Admitting that it would be helpful—in fact, almost indispensable for 100 per cent work—for credit men to keep extremely well posted on business conditions, just how is the miracle going to be performed?

It is a proposition with which I have been struggling for several years now, and I will confess immediately that I am still far from any final solution. In moments of enthusiasm, however, I feel I have made at least a dent in the problem and I want to talk it over and swap ideas. That is the purpose of this article,—not to give advice but to relate experience and get suggestions in return.

### THE PROPOSED SOLUTION—FOCUS ON ESSENTIALS

Few men in active business can reasonably attempt any profound or exhaustive research. Any elaborate delving into economics will have to be postponed until after retirement. The one hope of accomplishing any study of practical value in the midst of the thousand-and-one distractions of the day's work is to concentrate on one or two of the most vital factors and let the rest slide. Those of an academic temperament will turn from such a program in disgust, but it may interest the man with two telephones at his elbow, three callers waiting in the outer office, and four baskets of correspondence on his desk.

#### WHAT ARE THE ESSENTIALS?

Take some city in which you have several accounts. The question is: What is the quickest and most useful

way of keeping in constant touch with the trend of business in that city? I assume, of course, that you are already in general contact with the city through your correspondents, and the point is, how to check up these personal reports with impersonal statistics.

After a pretty thorough search, the best all-around measure that I can find of the condition of local business is the trend of check transactions. It is true that these statistics do not give a theoretically perfect measurement. They have their little failings and have been criticised by those who seek perfection in this world. But they offer certain homely advantages. They didn't cost a million dollars to collect. They appear regularly, frequently, and promptly. In addition to all this, they are obtainable for nearly every city of commercial importance throughout the country.

#### WHY CHECK TRANSACTIONS ARE SO GOOD A GUIDE

A further reason why statistics of check transactions are a serviceable guide to the condition of local business, is that they prove up when given a practical test. When you take the actual sales of various lines of merchandise in a given town and compare with the corresponding movements of check transactions, you find a remarkably close relationship. Checks rise, sales rise. Checks fall, sales fall. Checks hold steady, sales hold steady. Moreover, the two sets of figures fluctuate not only in the same direction but also in somewhat the same proportion. I suppose that test might not satisfy all the scruples of a scientist; but when a man has got to do business as well as study business, he is inclined to call it "Good enough!"

#### SAVE OTHER INDICATORS UNTIL LATER

We start, therefore, with a proposal that the credit man will concentrate his attention on this single indicator (check transactions) when sizing up the trend of local business in a given city. But what about various other indicators?—volume of newspaper advertising, postal receipts, building permits, exports, commodity receipts, employment statistics, taxation statistics, and a long list of other indicators? Well, my recommendation is to save these other data for consideration at some future date when you get round to it. I keep reminding myself, and reminding other members that since we haven't all the time in the world and all the money in the world, we must pass up something. The thing that can best be passed up, according to my experience, is the study of these supplementary indicators. Focus on check transactions.

Let me hasten to note one important exception, namely, the exceedingly valuable credit barometers or credit indexes which are being constructed by Dr. John Whyte. Such research merits the support of every credit man who wants to see real advance in credit ad-

ministration as one of the major professions. By all means utilize these admirable barometers wherever available.

#### CONCENTRATE ON TWO YEARS ONLY—PRESENT AND PRECEDING

I now come to a second proposal, which is even more radical. Even my best friends among the scientists will probably ostracize me for saying this. With some hesitation, I counsel credit men, in their study of the trend of local business, to give attention to two years, the current year and the preceding year. Postpone the "historical perspective" until later.

There is a hard-bolled reason for this unorthodox proposal. This is the argument: If business in a certain city drops from a value of \$100,000,000 a month, say to \$50,000,000 a month, there is severe disturbance for about a year. By that time, however, things have become somewhat adjusted to the new level. Competition has been pruned back. Overhead has been lopped off. Everything has shaken down to the new level. Deflation and readjustment have largely run their course. There has been established a fresh basis or benchmark, this new figure of \$50,000,000.

Accordingly, when business rises to \$75,000,000 a month, it is gratefully received. Local establishments begin to congratulate themselves on the 50% increase. Both sentimentally and actually, local conditions are on the mend. That ancient level of \$100,000,000 has faded from recollection.

#### CITIES HOLD THE COURSE WITH AMAZING STEADINESS

The whole proposition, therefore, has become fairly simple. A great array of minor factors has been set aside as of lesser usefulness. Statistics of distant years have been ruthlessly sacrificed. The one demand on the credit man's attention is to watch from month to month the trend of check transactions in the given city as compared with the corresponding months of last year.

The actual figures are of less importance than the comparison in percentage. Letting 100 represent the given locality's business in the same month a year ago, we may get in 1924 a series such as this: January 124, February 121, March 114. The trend is downward and the indication is unfavorable. Or, on the contrary, for some city the figures may run: January 95 (i. e. 5 per cent. below the same month a year ago), February 100 (i. e. breaking even), March 112. In this case, the trend is upward and the indication is favorable.

The significant thing about such a study is this. Cities don't bob up and down every other minute like stock market quotations. In the main, business in most cities tends to hold the course (either upward or downward) rather steadily. A major turning point comes only once every two years or so. There-

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# An Elusive Commercial Crook

Case that Shows Necessity for Big I. & P. Fund

By H. J. Rettke

Sunline Aluminum Co., Milwaukee, Wis.

**T**HE necessity of having a national investigation and prosecution fund devoted to exposing and prosecuting the commercial crook is demonstrated in the case of Nathan Siegel of Philadelphia.

Siegel had been established in business on South 7th Street, Philadelphia, long enough to have a rating assigned him by the mercantile agencies. On the strength of this rating he purchased large quantities of merchandise.

The usual collection procedure failed to bring a payment to the Sunlite Aluminum Co., of Milwaukee, one of the creditors, and on April 14, 1922, sixty-six days after shipment had been made, a letter was sent to all creditors by Siegel's attorney advising that a meeting of creditors would be held in the attorney's office on April 19.

The fact that the account was but slightly more than sixty days old and that the shipment had been made on the brink of bankruptcy, aroused suspicion; the claim was forwarded to the Philadelphia Association of Credit Men with instructions to attend the meeting and take whatever steps seemed advisable. At the same time a brief was filed with the Investigation and Prosecution Department of the National Association of Credit Men in New York. The department manager, C. D. West ("Zephon"), got into action without delay.

Before the meeting was held an involuntary petition in bankruptcy had been filed against the debtor disclosing liabilities estimated at \$15,000, and assets at cost valued at \$2,000 with a forced sales valuation of about \$700. This announcement seemed to make it evident that Siegel had disposed of considerable merchandise outside of the regular channels of business and immediate steps were taken to hurry the investigation.

The majority of the seventy-two creditors were located in Philadelphia, but strangely enough none of the Philadelphia creditors were members of the Philadelphia association. It, therefore, became necessary that an outside creditor take the initial step in starting the investigation. The creditors who were interested, were in favor of getting at the bottom of the affair although most of them were reluctant to advance any money for that purpose. The result was that a motion to investigate fell through.

All assets of the bankrupt were sold at auction and the proceeds were not sufficient to cover the cost of the bankruptcy proceedings. The creditors received no money whatever.

It was estimated that the cost of an investigation assumed by the interested creditors themselves would run to about \$1500; that if the National Association of Credit Men undertook the work the cost would be much smaller. Operatives under the mana-

ger of the I. and P. Department of the National Association of Credit Men, undertook the investigation and went at it in a thorough-going manner. The little stock in the store was in a terrible condition and about \$1000. worth of merchandise had been damaged by the bankrupt's children who had been allowed to play in the store and had caused indescribable confusion.

It was difficult to find anyone in the neighborhood of the store to volunteer any information. The location was in the cheapest Ghetto section of Philadelphia and space on each side of the store had been rented to peddlers and hucksters who would not talk. Siegel himself was a slender man twenty-eight years old, five feet four inches tall, of dark complexion with a small moustache, a Russian, who had served in the army under draft. He was unwashed and his living conditions were primitive.

## INJURED COMPETITORS SPEAK UP

Upon investigating to determine whether any merchandise had been removed in bulk, it was found that a Mr. Foxman, proprietor of Foxman's Crockery Store, 1218 South 7th Street, alleged that he did not know anything about Siegel having removed any merchandise in bulk; that for the past six months, however, Siegel had been cutting prices to such an extent that it was practically impossible to do any business to meet his own expenses and for that reason he had been compelled to leave his business in the hands of his wife while he, Foxman, had to go back to his old trade and work as a carpenter. One, J. Frishman, offered the same kind of complaint; and another neighbor, Mrs. Fashion, alleged Siegel had ruined her business and that she probably would be compelled to fail if he did not advance his prices to a normal level.

A night watchman by the name of Andy was located. At first Andy denied having any knowledge of the bankrupt's operations prior to the time of the bankruptcy. But, later, in conversation, he suggested that a policeman of the 25th District by the name of Jim Rawlins be interviewed. He said that Jim Rawlins and he, the watchman, were standing on the corner of 7th and Dickinson one night prior to the failure, and at about 2 to 2:30 in the morning saw a large truck being loaded with merchandise taken from Siegel's place of business. Andy remarked to the policeman at the time that he thought something crooked was being pulled off by Siegel. The police officer agreed and he took down the license number and the description of the truck. Andy stated that the truck carried a New York license number.

Upon calling at the 25th District Police Station, the investigator inter-

viewed Rawlins, who informed him that on Friday morning, March 31, about 3:00 A. M., a large green five ton truck carrying New York license number tag 90-00, was loading merchandise on the Dickinson Street side of the Siegel property. The merchandise was being taken from Siegel's residence and Siegel was much in evidence and appeared excited. While Officer Rawlins did not come out and say so, apparently Siegel tried to "fix things up" with him not to disclose the information because Rawlins did not care to be brought into the case and requested that information be treated with strict confidence. Rawlins stated that on the side of the truck was painted the name of the owners with street address and telephone number.

A call was later made at the earthing company's office and upon questioning the truckman, it was learned that on or about March 29, a man called at the office and told them that he had a job to be done in Philadelphia, which would require a large truck and asked how much it would cost to make the trip. The truckman advised that the trip would cost \$100. This was agreeable and arrangements were made to perform the contract.

On March 31, the truckman with a brother and a helper arrived at Siegel's place and met the man who had called at his office in New York. When the merchandise to be removed was shown to the truckman, he immediately asked Siegel why he wanted this merchandise moved to New York City in such a hurry, that if he had had any idea at the time he left New York that he was coming out to Philadelphia to do a job like this, meaning to remove merchandise for a party who was going to fail, he would have charged him \$50 to \$100 more. Siegel replied that it was none of his business what he was going to do with this merchandise.

The truck was loaded and the load delivered to an address in New York City, a little store in a basement that had just been rented by Siegel for the purpose of storing. It was found that the New York place was a four-story building with two stores, but there was no trace of the merchandise on the premises. It was believed that the truckman had given an incorrect address; and a second visit was made. Though a number of other investigations followed, it was impossible to learn what had become of the merchandise.

Meetings were held with the Referee in Bankruptcy. On one occasion the truckman had promised to attend the meeting in the office of the Referee, money having been advanced him for the expense of the trip. He was to identify certain persons, at which time arrests were to be made. He disappeared.

(Continued on page 38)

NEW YEAR'S RESOLUTIONS  
OF  
JOHN W. CREDITMAN

1. In practicing credit co-operation I will attend the meetings of my credit association, and use the Interchange and Adjustment Bureaus;
2. I will let my Congressmen and Senators at Washington know early in the year the enormous importance I attach to the reduction of Federal taxation;
3. I will make my credit department an active and vital force in upbuilding the business of my customers;
4. I will do my share in promoting the par payment of all checks;
5. Remembering my own early struggles to get ahead I will continually help my juniors in credit work, especially through the local chapter of the National Institute of Credit;
6. I will make full use of the "Credit Man's Diary and Manual of Commercial Laws;"
7. I will tell the editor of THE CREDIT MONTHLY what I like and what I don't like in "our professional magazine".

*John W. Creditman*





# Russia Needs Character and Credit

## European Observations of an American Educator

By John H. Finley

Associate Editor, New York Times

*At the recent annual banquet of the Morris Plan Bankers Association, an address was delivered by Dr. John H. Finley, economist, historian and former New York State Commissioner of Education, largely on Character as a basis for credit. The greater part of the address is here reproduced with the kind permission of Dr. Finley and of the Association.—THE EDITOR.*

**I**N Scotland they used to have a custom in many of the counties or boroughs (and I understand it still obtains in a few) called the "riding of the bounds." It took place once a year. All the people in a county or borough used to assemble at some appointed place, and then go all around in order to keep themselves informed concerning their possessions, and perhaps to defend their borders.

Well, I have just been riding the bounds of Europe, starting in at Norway and Sweden and Denmark, where I had the honor to lecture on the Scandinavian Foundation. I then went through Finland and the Baltic States into Russia (Moscow and Petrograd), down to Odessa, across the Black Sea to Constantinople, and down into Greece and back. Then I went out to Batum at the farthest end of the Black Sea, down through the Caucasus to Mount Ararat, and almost to the place, if not quite to the place, where the Garden of Eden is said to have been, and then back through the Southern border of Europe.

On every sector, at any rate of the farthest boundary of Europe, I found American charity where I think there should have been, if possible, American credit. Two years ago I visited the Baltic states and was there again only a few weeks ago. I remember particularly the Prime Minister in one of those states in Latvia. When I went into his great chamber I found that he had on one side the arms of Latvia and on the other side a pennant of the University of Nebraska.

I said to him, "How long are you going to keep these barriers between these little countries? You have just about as many people in the three as we have in the five boroughs of New York, and we would allow such barriers not more than a half an hour, I suppose." He said, "I seem to remember that you once had 13 colonies and that you had commercial barriers between every two of those colonies."

### RUSSIAN AND AMERICAN

Then I said, "How long are you going to keep up this depreciation of the currency without going all to pieces?" "Well," he said, "I suppose as long as you did in America. I think Washington kept it up until he had to carry two

wagon loads of money in order to get one wagon load of supplies."

Out there the call was for credit. If you could only have the Morris Plan somehow applied to those little Baltic states, then we could see whether they were able to meet their obligations and have the credit that would enable them to develop their resources!

Let me indicate how they are looking to America, not only for credit, not only for charity, but for scientific information. I was sitting beside a young man in the outer room of the statesman, Latvinoff. I got into conversation with this young man. I said, "Why are you trying to get out of Russia?" He said, "I want to get some scientific supplies and books. I am an Assistant Professor of Physical Chemistry in the Technical School of Petrograd. We don't know what has happened in the last four years in the scientific world. I don't know what Langmuir has been doing in Schenectady, New York." Of all the things in the world, he wanted to know what that scientist in Schenectady had been thinking about and had been doing in the last four years—and he had been doing great things.

I went into Russia a few weeks ago and there saw the wreck caused by the wiping out of the basis for credit and character. I think I ought to tell you what perils I have gone through! Lenin is incurably ill, I believe; Trotsky was absent, but all the other important commissaires were at the table on one occasion. On my right was Tchicherin; on my left was Radek, the head of the great Communist propaganda; beyond was Kamenoff; and then there was Gerjinsky, head of the Cheka. I made a speech in his presence and got away alive.

I remember that Radek passed to me a slate, one of those magic slates. You write something upon it and then you pull down the inner part of it and everything is erased. Well, the first thing that Tchicherin said to me was, "What about the deaths? Why do you make so much of the deaths? They are not great." I don't know what I said, but I should have said, "Well, it is a matter of character. If only character were established, then you could have money with which to meet your obligations."

Radek made a very remarkable statement. I have treasured that; I think it is the most hopeful phrase that I heard in all my journey, which began as a Viking voyage and ended as an Odyssean wandering. He said, "We are trying to develop a new type of Russia, men who are like the Americans whom we have seen." I am happy to say that we have sent out the finest type of Americans to work in Russia. I was there just before the American Relief Association forces were retired, and it was with regret that I saw that those contacts which brought us into

touch with thousands, yes millions of the people of Russia (not the government officials alone or chiefly, but the people, the common people, of Russia) were no longer to be kept there, because it is a great thing for Russians, I think, to have such character exhibited daily before them.

I am not sure that he put the same construction upon it that I did, but he used this phrase: "We are developing Russians of the American type, and we are developing a collective individualism, making collective individualists."

Now, that sort of individualism is 1,000 miles and 180 degrees from Communism, but it is an individualism that is informed by the same spirit that informs this great work that you are carrying on, a concern for the collectivity, for the body as a whole. And I hope that in some way it is to be interpreted out there in the same way in which I am disposed, and we are disposed, to interpret it here.

### CHARACTER AS A BASIS FOR CREDIT

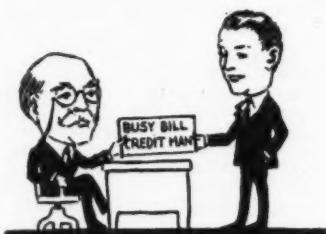
A little later I was 'way down in the Caucasus, in the farther edge or end of Russia. There I saw what could come if only these people could establish a character that could be made a basis for the granting of credit. Here were the Armenians, a million and a half of them (or nearly that number), in a little area that can not support them, but that would support them, possibly, if only they had the credit with which to establish the industries, and to bring down the water from the hills to irrigate the plains; for there is a wonderful lake there, forty miles long, 7,000 feet above sea level, that is adequate to water all the fields of Armenia and to turn all the engines of industry and transportation, if only there were the character there that would invite the credit.

Then I went still farther down, into Persia, the very edge of Persia. There was a train once in two weeks, and not regularly at that. I remember a picture that I saw some years ago. I think the saddest picture that I ever saw in my life, of Eve in her old age. It had never occurred to me until I saw that picture that Eve ever grew old. I have always thought of her as a young woman, but she was being carried along on a litter, and her son, Cain, was at her side, and she was pointing off into the distance and saying (I thought she said it, at any rate) "You see that little knoll yonder, Cain, with that clump of trees? Well, that was paradise."

That land may have been paradise out there once, but it is the most God-forsaken part of the universe I have ever seen. That is within sight of Ararat, where the Lord—who was so

(Continued on page 28)

# BUSY BILL IS A CREDIT MAN



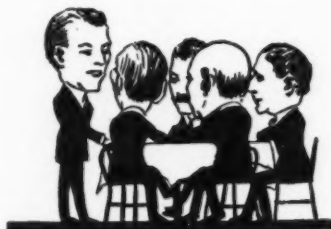
BUSY BILL who heretofore has been a bookkeeper takes a new place in the business world. His experience, enthusiasm and alertness reward him with a position as credit man.



BUSY BILL studies the methods of successful credit men and finds a membership in the Credit Men's Association to be indispensable. So he mails his application and becomes a member.



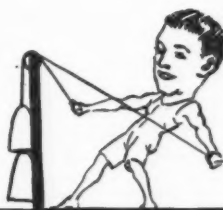
BUSY BILL soon learns that it is good business to read good business literature. He keeps himself posted on current events. He reads and learns the theory of credit and becomes more efficient.



BUSY BILL finds the Monthly Meetings of the Credit Men's Association a wonderful place for becoming acquainted with other successful men. Already he is exchanging first name greetings with more than fifty business leaders.



BUSY BILL considers the Credit Men's Association the most important connection a credit man can have. He says you get out what you put in. Therefore he gives and receives plentifully.



BUSY BILL believes in keeping physically fit. He takes a work-out every other day at the gymnasium. He walks, swims and plays golf and can lick his weight in wild cats.



BUSY BILL invests judiciously in good appearance. He knows the value of it, dresses well and always in good taste. Others like to associate with him. His every action spells success.



BUSY BILL visits his customers regularly. He says it's impossible to overdo your service to your customers. When the distance will not permit a personal call he writes a letter. Going out of his way to please keeps everybody smiling.



BUSY BILL knows that recreation is just as necessary as any other activity for the busy business man. He never lets it interfere with business but careful planning makes it possible for him to play regularly.

The Los Angeles Association of Credit Men uses this attractive argument to secure new members and hold old ones. See page 36.

# Cows, Hogs and Hens

## Atlanta Credit Men's Plan Saving Farmers

By J. H. Tregoe

Sec.-Treas., National Association of Credit Men

**R**UNNING in and out of a State does not offer the chance of a deep investigation, but even in this brief way, impressions may be received and information may be secured by brushing up against people who are interested and deeply concerned in local conditions.

One is first impressed when entering Georgia that its farms are for the most part unfenced. Cotton has been the staple crop; cattle have played no prominent part in the farming program of Georgia, and, therefore, it has been unnecessary to fence the farms. Cotton cannot run away and trespass in neighboring fields.

One-crop farming has brought its economic problems in Georgia just as it has in other districts where but one crop is raised and the farmer buys his foodstuffs and lives, just like the people of the town, out of stores.

Tenantry has grown rapidly in Georgia. Tenantry does not tend to improve farming nor to build up the fertility of the soil.

In the little time allowed me on a recent visit in Georgia, I discovered some very interesting things. In the southern part of the State, severe rains in the late Summer had washed out the crops and left many of the farmers prostrate. The indebtedness in this portion of the State incurred for supplies and by the merchants could not be liquidated rapidly, until the next crop was made, formed a serious problem. Would you believe that Georgia bought in dairy products, poultry and eggs during the last twelve months more than was realized from her entire cotton crop? This is a very vital fact, and shows that farmers on the whole do not prosper unless foodstuffs are raised and what remains after disposing of the staple crop and paying costs of planting and harvesting is all velvet. There are twelve thousand abandoned farms in Georgia at the present time. In Turner County, a very interesting experiment was made some little while ago and it is working out so admirably that the contagion of it may spread into other counties.

### THE TURNER COUNTY PLAN

With several crop failures and the realization that something would have to be done and very quickly, the plan was hit upon in a conference of several of the interested citizens of the County of diversifying farming so that all of the eggs would not be placed in one basket. Under this plan, which the farmer was solicited to enter upon certain conditions, it is required, first, that

he plant a few acres as feed for cattle and poultry. When these acres are beginning to yield, he will be able to secure a loan for the purpose of buying cows, hogs and hens. The cows' milk is sold to some nearby creamery that has been established for his convenience and as a part of the plan. The receipts of one month from the sale of milk are sent to the bank and credited to the farmer's indebtedness. The receipts of the alternate month go to the farmer for upkeep and home expenses. When raising only cotton, the farmer, his wife and his children were busy but a little while during the year. Under the Turner County plan, the cows have to be milked every day, the hogs have to be looked after, the hens properly cared for. There is something to do for every member of the family, and particularly for the children after school hours.

The plan has worked so admirably and has proved so clearly the value of diversified farming that an effort will be made to promote it in other counties in Georgia. This scheme requires an educative program, which in time requires finances. In order to make possible a program of education that would send abroad in Georgia the slogan of successful farming, and more contentment in the farm life, of real joy in agriculture, the Credit Men's Association of Atlanta, agreed with the Chamber of Commerce of Atlanta and the Clearing House of Atlanta to raise \$15,000 divided equally between the three bodies. The amount, I was delighted to find, had been about realized. This fine piece of work assures an educational program in some of Georgia's counties that if successful will revolutionize the state's agriculture and add tremendously to its resources.

### KEEPING MONEY AT HOME

Just think of the money that has wended its way beyond Georgia's boundaries for dairy products, poultry and eggs. A large portion of this can be kept within the State and the merchant will be less troubled over the ups and downs of cotton. It is all a question of management, of real intelligence in carrying forward a business enterprise. The farm is a business enterprise and it must be operated in a businesslike manner.

In a very hurried fashion I am giving you a little glimpse of what I discovered in Georgia—a State of remarkable traditions, of wonderful possibilities, and with even broader vision when its farms are better used, when tenancy is reduced, when the abandoned acres are gradually taken up and used for the nurturing of the home and the barnyard tenants that we are always so happily associating with farm life.

## Health in Business

By Varius Sands

**T**HE United States Public Health Service has computed that the average annual losses from sickness in the industrial concerns throughout the country is between seven and nine days per person. Figures have not been compiled covering credit departments but it is probable that the average health therein is not much better than is indicated by this figure.

Many thousands of business executives today are taking a keen interest in the health of their employees and indeed of their associates. They have learned from experience that the only safe way to know whether you are healthy or not is to have an examination at reasonable intervals, say every six months or a year. Most of the large industries of the country are coming to realize that there is a great deal more to production than merely the provision of machines, and the sales and distribution forces. A medical and nursing staff to examine the men and women in the company and to advise with them regarding their health is coming to be considered absolutely essential. Take, for example, the experience of the National Cash Register Co., Dayton. Last year the average sickness in that plant of several thousand employees was reduced to one and a half days per person. The National Cash Register Co., achieved its very low record by periodic medical examination and the correction of remediable defects among its employees.

Business men each year are giving more aid and encouragement to the sale of Christmas seals conducted by the national, state and local tuberculosis associations of the country which present an annual opportunity for every one to contribute to a life-saving campaign which will help all alike.

Most people appreciate health only when they have lost it. How true this is may be realized from such striking experiences as that of the army in the World War, or that of certain large industrial concerns, or from examinations made in cities like Framingham, Mass. In the draft army, for instance, over a million and a quarter men realized for the first time in their lives that they were not healthy. In fact, more than half of this number, found out that they were decidedly unhealthy, so much so that they could not fight for Uncle Sam. Examinations of men in large industrial corporations, such as the Metropolitan Life Insurance Co., the International Harvester Co., Sears Roebuck & Co., the Bell Telephone Co., and many others have clearly shown that the average person who thinks he is in good health usually is carrying about in him seeds of disease, and that he has defects and impairments which, if not corrected, will lead to serious trouble in later life. In Framingham, Mass., where practically a whole town was examined, it was found that 77 per cent. of those who came for examination had more or less serious disease problems of which they knew little or nothing.

The credit man has a special stake in the health of the business community because success or failure of a merchant debtor depends frequently upon his health or lack of health.



# Training for Business

## Business Administration Now a Profession

### By Melvin T. Copeland

Director, Bureau of Business Research,  
Harvard Graduate School of Business Administration

**W**HEN the Graduate School of Business Administration was established by Harvard University in 1908, it became one of several institutions whose existence was based upon the recognition that business management was attaining the status of a profession. Numerous other schools of commerce already were in operation at that time. Trade organizations of various sorts also indicated the growth of the professional spirit among business executives. It was becoming more and more generally recognized that there were many problems in business organization and management which could be analyzed and studied advantageously. Credit men, for example, were beginning to establish standards for handling the cases that constantly were passing under their jurisdiction, and within a few years a beginning was made on working out various ratios as an index to credit conditions. The same sort of thing was happening in other branches of business administration. With the growing recognition of business management as a profession, furthermore, the professional spirit also was manifesting itself in the development of codes of ethics which it was foreseen would become more and more influential in governing the conduct of business affairs.

#### STUDY OF LAW AT FIRST UNORGANIZED

Since business management is becoming a profession, it follows that it affords an opportunity for organized education. In earlier generations, the law passed through the same stage. Originally, a young man learned his craft by carrying the brief case of a lawyer, attending to odds and ends in the office, and reading law books in his spare moments. He learned law just as a young man not long ago was expected to learn business, by serving as office boy and copying clerk. That method is tedious and narrow. It does not give a lawyer or a prospective business executive breadth of training or a thorough understanding of principles. The object, therefore, of business education, at least so far as the Harvard Business School is concerned, is to provide young men with a training in the principles of business organization and management, and a broad background for their development. It is recognized fully that after spending two years in such a school, these young men are not qualified to take executive positions. They must learn the details of the individual business enterprise in the office, the mill, or in the salesforce of the individual firm. Those details can better be learned in actual practice than they can in school. The school, however, gives the young fellow an understanding of what he is doing. It enables him to utilize his inevitable apprenticeship to better advantage, so that after several years he will be able to progress more rapidly and to assume ex-

ecutive responsibilities sooner than he could if he had spent all his time in the routine of the individual business firm.

This result actually has been accomplished by the Harvard Business School and other institutions giving similar training. The graduates of this School have proved that they can master the details of their jobs and comprehend the problems on which they are engaged more rapidly than other young men of equal caliber who have not had similar training.

The many schools and colleges in which instruction in business administration is being given vary widely in their plans and methods. The Harvard Business School differs from others in that it is a graduate school. Except for half a dozen special students who previously have had executive experience in business, it admits only students who are college graduates. Like the Law School and other professional schools of the University, the Business School has proceeded on the principle that a broad college education is desirable groundwork for the sort of training in business administration which the School seeks to provide. During the current year, 539 students are registered in the two-year course of the Harvard Business School. These students are graduates of 176 colleges, representing nearly every state in the Union and several foreign countries.

#### PROFESSIONS COLLECT EXPERIENCE

One of the chief characteristics of a profession is that it collects systematically a record of the experience of one generation to pass on to the next, thereby eliminating the waste that is inevitably involved if each generation must learn over again by experience the lessons that its forefathers have acquired. Three years after the Harvard Business School was established, consequently, organized research was undertaken, by the establishment of the Bureau of Business Research to collect a record of actual business experience, as an immediate aid to instruction in the School, as a guide to future generations, and, as it turned out somewhat unexpectedly to be of immediate assistance to the current generation of business executives.

The first work that the Harvard Bureau of Business Research undertook was studies of the cost of doing business in retail trade. The buying and selling of merchandise is the most common, everyday sort of business; unless goods are sold, there is no profit in producing them. Yet at that time, in 1911, there were no dependable data regarding the most common problems in buying and selling goods. These studies of the cost of doing business have been continued and developed until during the last year the Bureau has received reports from firms in six trades, with an aggregate volume of sales for the year 1922 exceeding \$1,500,000,000. From these statements standards have been worked out and numerous problems accumulated for

study in the Business School.

In December, 1920, the Bureau of Business Research began experimentally on a new record of business experience. This now has progressed to a point which indicates that it has even greater possibilities than the studies of the cost of doing business. This new venture is the collection of business problems and cases, as they actually have come before business executives for decision.

From the outset, the Harvard Business School has aimed to give instruction by the problem method. The development of the technique of this method of teaching was slow for the first dozen years. During the last three years, it has been particularly rapid.

These cases are used for analysis and discussion in the classroom, so that the students learn the principles of business and incidentally numerous facts regarding business operations from the actual problems which occur in everyday affairs. The students are forced to reason out for themselves sound conclusions on these concrete problems of business executives instead of having the general rules laid down for them dogmatically by instructors. This problem method of teaching is having the same sort of success for business instruction that it has had for the last two generations in teaching law.

#### ATTACKING ACTIVE BUSINESS PROBLEMS

At the present time, the Bureau of Business Research employs a staff of 24 men for collecting these problems from business firms. The field agents are selected each year from the graduating class of the school, in order to give them additional training as well as to provide new material for teaching. They work on a full-time basis and are paid for their services. During the last three years, the Bureau has collected cases in nearly all the fields of business management, including commercial banking, investment banking, industrial accounting, factory management, marketing, retail store management, labor relations, statistics, and several other subjects. The points on which cases are desired are worked out by the various instructors in cooperation with the staff of the Bureau and then assigned to the agents for collection. The agents go out to business firms of all sorts to obtain the benefit of their experience in recording these cases.

A typical problem, for example, was that faced by a bank after it had made a large loan to a farm implement manufacturing company, which was unable to meet its obligations. A complete history of the case was obtained by the agent, together with the decision reached by the banker in settling the problem. Another typical problem was that of a department store regarding its purchases of style goods. A full record of the purchases and sales of the company, together with incidental information re-

(Continued on page 32)



# The Credoscope

By J. H. TREGOE

## 1924 GREETINGS

A GLANCE BACKWARD makes the span of a year appear very brief. It seemed but yesterday when we stood at the threshold of 1923 and wondered what would be unfolded as the curtain arose. We found here and there vexatious problems,—never a highway set in roses. The year unfolded itself from day to day, and on the whole we can regard it with considerable gratitude.

In the fore part of the year, there was a flush on the cheeks of business that looked unnatural. With careful treatment the flush disappeared and we resumed again a normal appearance. Throughout the entire year, credit has been in a very snug position. We have had more than was needed for legitimate business, and the chief task was to guard its flow so that speculation might be avoided.

With this history back of us, we approach the threshold of 1924. What has it in store for us and for the world? If we could consult an oracle and bring out of the depths of the earth some voice that would tell us of the future, how eagerly it would be consulted! As it is, however, we can merely endeavor to penetrate beyond the curtain of each day and reflect on what is likely to happen.

I do not feel the slightest fear as the new year opens. I have a strong confidence that in the new year, a new burst of sunshine will come to the world; that men will think a little better; that military power will be transformed into heart power in directing the relations of nations with one another. For ourselves, it would not be right nor would it be safe to expect anything beyond a reasonable business and a quiet working out of our best destinies. As our chief problems just now are moral and not material, it is impossible to designate with exactness what may be brought forth from day to day; but if, like Antaeus, we can keep our feet on the ground, nothing can overcome us.

In the credit field, we have no reason but to feel confident; to recognize the highness of the calling of the credit man; and to stand ready to render every service business needs. We should feel the glow of a new day; we should cherish the spirit of a great purpose; each of us should say, "What the new year unfolds will rest with me. I am an important unit. I can contribute to the destiny of each day, and with the Divine help, I shall do my best!"

Nineteen hundred twenty-four, we greet you! We believe you will be very good to the world and to us!

## DEMOCRACY AT THE CROSS-ROADS

VERY MANY THOUGHTFUL MEN are concerned just now over the future of democracy. Recent events abroad have fostered a fear that democracy is failing. The dictatorships in Italy, Spain, Bulgaria and other countries, where democratic ideas have been popular, are at the basis of this fear. These movements, largely nationalistic, are very significant.

I cannot believe, however, these revolutions in government tend to impeach the soundness or permanency of democratic principles. They are like so many present social and economic conditions,—a backwash of the War.

A nation embraces several types that may be segregated into two big classes, the superior and the inferior. The study of biology reveals that only a small proportion of the people are qualified for leadership. The smaller or superior class may become arrogant and organize itself into a bureaucracy. The inferior and larger class may resent this arrogance even to the point of indulging radical ideas. The nationalist movements, as we discern them are intermediate, they result from the arrogance of one class and the consequent resentment of the other. These movements reflect a marked lack of sympathy between the superior and the inferior classes.

The safety of democracy lies, undoubtedly, in the qualities of its leaders. Without qualified leaders, democracy is indeed in peril. It is not impossible, nor should it be extremely difficult to establish harmony between the upper and the nether classes by the exercising of a proper spirit.

We can sense in our own democracy elements of danger, but the danger can be controlled. Through sympathy and co-operation in all of the people the destinies of a democracy may be worked out successfully and its permanence assured. Those of superior endowments and leadership qualifications must not arrogate to themselves certain powers that affect the common weal and those in the lower grades must not indulge resentment nor seek to overturn established rules and policies.

What we need is to amalgamate the entire people in the bonds of service. We cannot think of this significant subject,—service,—without recalling the sacrifice of the Divine Teacher, Who condescended to take upon Himself the form of a Servant. Democracy, and our own in particular, will be safe so long as sympathy and co-operation control all elements of the people, and the thought of the large majority is service.



Look not upon your own things, but the things of others, is a Divine admonition. I believe firmly the great Creator will lead our democracy through the mazes and murk of contention into the sunshine of a great and permanent happiness by impressing upon the thoughtful, the diligent, the willing of all classes, the principles of service.

### SECRETARY MELLON'S TAXATION PROGRAM

THE MORAL QUESTIONS surrounding taxation are just as definite and serious as are the material questions.

Up to 1916 we did not feel the taxation burden. We did not regard the cost of running our Federal, State and Municipal governments as burdensome, though even in normal situations taxation bears down more or less heavily upon the people.

Financing our participation in the World War, leading to the creation of a debt many times larger than any debt ever incurred in the Nation's career, and with a budget several times larger than the pre-war budget, caused largely by increased costs of commodities and service, has brought us eventually into a situation where Federal taxation is a serious problem. Added to Federal taxation was an increasing burden placed by the States and by the local governments upon the people largely through extravagance.

Whether it be Federal, State or Municipal taxation, the burden falls largely upon business. The profits and income derived from business must pay a big share of the annual bill. We may be patient in a situation like this, but it becomes very irksome and produces a psychological effect reacting more and more upon the vitality of business. No formula has yet been devised for the imposing of taxes equally. There will always be shirkers. It seems perfectly proper to us that anyone with income sufficient to pay dues into beneficial protective organizations should contribute to the costs of the government that protects and offers opportunities to himself and his business.

In looking after the welfare of the people,—and I extract this thesis from world history,—nothing proves more beneficent nor a greater stimulant to an enterprise than the lessening of the tax burden. We look upon taxation at the best as confiscation. It is paid as a necessity, and its psychological effects, therefore, are deep and lasting.

With these outstanding facts in mind, I do not hesitate to say that nothing more epochal has happened in our governmental career during the past five years than the suggestions offered by Secretary of the Treasury Mellon to Mr. W. R. Green, the probable chairman of the Ways and Means Committee of the House of Representatives in the next Congress for a reduction of the taxes. "The rich must pay," is a popular slogan. But if the rich can evade payment, they are apt to do so just as taxation is evaded in many instances by those of smaller incomes.

Why hold to high surtaxes when it is merely driving income into unproductive channels? To illustrate, in 1916, 292 incomes were reported of more than one million. In 1923 it is estimated that no more than 30 will be reported. This does not indicate any diminution of income but merely proves that the high surtaxes have driven income into nooks and corners where the taxation process cannot reach it. Tax-exempt securities issued mainly for unproductive purposes have been availed of while production has need of the capital and will need it in a larger measure as our opportunities for production expand.

It seems to me, therefore, that the suggestions of Secretary Mellon represent the careful thought of a very fair and analytical mind. They represent the proposal of a cabinet officer who is thinking of the people. There is no straddling in the plan. I surmise there will be considerable straddling when the plan gets before the Ways and Means Committee of the House, or eventually reaches Congress. The Soldiers' Bonus will still be adhered to by some as fodder for those at home, when as a matter of fact such a bonus spells inevitably increased taxation and the dedication of millions of the people's income to an uneconomic project.

Every business man of the Nation should line up squarely for this program of reduced taxation. Congress should be permitted to hear the voice of the people. I know of nothing that would have a more beneficial effect on the business of 1924 than the translation of Secretary Mellon's suggestions into legislative action. Herein is offered to every business man an opportunity of real service, an opportunity it will be perilous for us to refuse.

### WHAT EVERY INDIVIDUAL SHOULD KNOW ABOUT CREDIT

THE MYSTIC AND THE MORAL values of credit have been lost largely through its common usage. Society does not understand as a rule what a progressive factor credit has proved. When we place our fingers on any distinctive progress, whether it be in the field of commerce or the field of arts, credit has made it possible. We are not arrogating to credit any utility or any value that it does not justly deserve. It is interwoven into our social fabrics so closely that to unweave it would resolve business and society into an archaic condition and halt the march of progress.

If these things are so, then everyone should know something about credit. First, credit is one's word of honor. It is a personal element. It cannot be dissociated from the person or the enterprise using it in exchange. It is true when the character back of it is true, and it is false where character is lacking.

Credit is a convenience. It has supported the development of our industrial revolution. It has enabled us to move forward steadily from progress to progress until our industries and our income have surpassed all competition. It permits a wider use of capital. It holds in suspense the giving of value for the value immediately received. It is a token of confidence that has solidified the American character and enabled a scope of trading that challenges the admiration of the world. It permits us to walk with our heads a little higher because one's word of honor is his very best possession.

Credit must be redeemed. The value immediately received must be covered by value in the future. If value is not given ultimately for value, then no exchange has taken place and confidence has been abused. It may seem a very slight thing to purchase commodities even for daily consumption upon the implied promise of payment some time, but unless the promise is redeemed and the credit was worth its face value, an injury has happened and a waste has occurred.

Holding in mind the redemptive feature of credit is its chief defense and makes possible its magnificent flow into channels of production and personal convenience. Credit must not be trifled with. Its moral values must be respected. It is our best asset, and its treatment will tell better than anything else the kind of people we are.

# Overhead Expense Increasing

## Causes of Trend and Some Suggested Remedies

By Eugene S. Elkus

Vice-Pres., National Association of Credit Men, The Elkus Company, San Francisco

**O**VERHEAD expense is a mighty force which if closely watched and properly controlled, protects business, but if neglected, wrecks many an enterprise irrespective of general prevailing conditions.

The deep consideration of overhead expense is vitally important at this time.

Is the overhead expense of business tending in the right direction?

My personal answer is decidedly in the negative. To get the viewpoint of others I have spoken to many leaders in the business and financial world including bankers, heads of large commercial institutions, factory, transportation and construction managers; heads of Adjustment and Interchange Bureaus, Commercial Reporting Agencies and Public Officials. Their unanimous answer has been emphatic in the declaration that overhead expense is tending in the wrong direction.

As overhead expense is tending in the wrong direction what are the causes? There are a number, the most prominent of which I will enumerate.

### RENTS

Increasing rents which do not bring commensurate business benefits. Many organizations whose rent problems have become acute have moved to new locations where rents are lower without adversely affecting the volume of their business.

### VARIATION OF VOLUME

The decided variation in volume of business with the necessity of continuously operating at almost the maximum of expense.

### STOCK

The necessity for carrying a larger stock than formerly (often compulsory in certain lines) for the volume of business transacted thereby causing an increase in carrying charges.

There was a time when what might be termed a cushion existed between mills consuming raw materials and manufacturers of their products and between manufacturers and jobbers using their products. This cushion consisted of a supply on hand ready for the "fill-in" demand, which meant prompt delivery and no noticeable fluctuation in price. To-day mills and factories as a rule are fearful of producing beyond their orders because of the instability of the market and the possible danger of shrinkage in value of any stock that might be accumulated. The result is that their customers must more largely anticipate requirements, realizing their inability to obtain quick delivery and also the danger of an advance in price occasioned by an active market.

### INSURANCE

The added cost of insurance due to the increased value of stocks.

### VARIATION OF VALUES

Prices of commodities have dropped in a greater or less degree from the war period. The overhead expense, however, as a rule has not decreased; in many cases it has increased. To do the same volume of business in dollars a larger number of units must be handled and sold, increasing the overhead expense. Considering this subject from another angle, an organization which does not increase the number of units sold, maintaining its former overhead, will of course find that if the prices of its commodities are lowered its volume of business is naturally less and the overhead will show a corresponding rate of increase.

### INCREASED LABOR COSTS

Greater cost of labor naturally plays an important part in the increase of overhead.

The limiting of immigration and the method of admitting aliens at this time is the principal reason for the scarcity of labor in many places and a large factor in causing increased labor costs. I believe the time will come when our government will handle the immigration problem in a more scientific manner; also I hope we shall have strict limitations as to the number of aliens admitted; we should also use a discriminating hand in their selection based on the requirements of this country. If we, for instance, need 100,000 farm-workers let us not admit in their stead 100,000 of a type that under no circumstances would relieve that scarcity and might only become an added economic burden to our nation.

The greatest care should be exercised in the analysis of our individual labor problems. Merely endeavoring to reduce the pay of present employees; or in the future hiring the less efficient with the thought of saving money would be a serious mistake. Would it not be sound policy to encourage financially those in our employ who are striving by good service to assist in keeping the overhead expense down; and also replacing the undesirable with the more competent even at a larger remuneration. An efficient staff of employees combined with labor saving devices and a carefully planned economical policy will always make a strong foe against increasing overhead.

The constantly increasing demand for a higher standard of living with the almost universal use of the automobile and its attendant expenses must finally be met by increases in salaries or wages which in turn must be taken care of through overhead expense.

### SERVICE

Increase of overhead is also caused through the growing demand that better service be given by all business

organizations. Keen competition is stimulating this demand.

### COST OF SELLING

The cost of selling to retailers in a number of lines has been increased by their restricted buying policy, necessitating more frequent calls by salesmen to secure the same volume of business.

### TAXATION

Taxes are increasing from various causes, not the least of which is the undue and in many cases wasteful expenditure of large sums by municipalities, counties and states, encouraged by the ready market for the issues of tax exempt securities. I am convinced that the issuance of tax exempt securities is highly objectionable; because it indirectly adds to the cost of the nation's business and directly affects the overhead expense of every private enterprise.

### ADVERTISING

Advertising is a necessary and extremely important factor in the development and success of nearly all lines of business. There is, however, to-day a woeful waste of money caused by injudicious and unscientific methods which is usually absorbed in overhead expense.

Business men as a rule feel the necessity of better proportioned overhead, but so far as my inquiries have gone there does not seem to be any organized effort to improve the situation. Many seem to accept the condition as entirely beyond their control. The time has come, however, when all institutions should scrupulously analyze every element of overhead expense connected with its operations and where possible correct any leakage.

No set rule or law can be laid down. Conditions will naturally differ with various organizations. If, however, we watch every point of possible leakage we are in a better position to cope with the situation.

Outside the doors of business we should aid in cutting down the overhead expense of our nation by performing our proper duties as good citizens; by taking proper interest in governmental affairs; doing our part to stamp out corruption; by aiding in the selection of capable public spirited citizens for office and standing like adamant against those who would encroach on the public treasury for personal gain.

I would like to suggest a panacea for the complexity of prevailing conditions, but that not being in my power I can only offer these few thoughts on this all important subject of overhead expense.

# Bad Debts Will Decrease

## "When the Credit Men Get on the Job"

By L. B. Arthur

New Haven, Conn.

A SMALL group of complacent credit men were recently enjoying a comfortable hour of interchange of stories and smokes amid the luxury of their favorite club. All hands were happy and content because a comparison of conditions had showed that no one of the group was worrying over bad accounts possibly headed for bankruptcy. As a closing expression of their credit discussion one man exclaimed:

"We happen to be in luck just now, but think of the tremendous total of failures in this country every year! When will business ever clear itself of this handicap?"

Quick as a flash back went the answer from another:

"When we credit men get on our job. You have all just said that a careful checking over of your accounts has shown them all to be in fairly healthy condition. As a rule, can you see signs of weakness in a customer's business long before he will acknowledge even possibilities of trouble?"

"Sure, every time," spoke up the man who had voiced the complaint as to the big annual total of failures.

"How long before trouble appears can you detect these signs—a month?"

"Sure, in fact sometimes a year or eighteen months."

"That is surely 100 per cent. warning in advance. Now then with even a hint of approaching trouble for a customer, old or new, what do you do about it?"

"Oh, we make a note of our discovery and flag the account to make sure that we shall act with unusual caution if the customer continues to buy."

"All your action is on your own end of the line for the benefit and safety of your house alone, is that it? If your careful watch of developments shows that the day of trouble is approaching faster, I suppose you cut down on the customer or cut him off entirely?"

"That's just what we do every time; and I'll wager it's because of our good 'credit noses' that we here to-day are free from threatening crashes and losses; having sensed the weakness early, we manage to get the account cleaned up and can get in out of the rain before the storm breaks."

"Yes, and it is just that old-time, selfish, narrow policy that nurtures the increasing number of small merchant failures about which you so loudly complain."

"When one of your salesmen sells a bill of merchandise only about one-third of the job is done; and upon the delivery of 100 per cent. quality merchandise on that order only one-third of the obligation of your house to that customer is fulfilled. You will readily grant that your sales promotion or advertising departments must assist that

customer to resell the merchandise, at a profit, to the consumer. That may all be done and apparently a profit earned while all the time the dealer is headed straight for trouble and later bankruptcy. The last third of the job is the credit man's. Let me give you warning that you and I cannot stop with our O. K. of that account."

"We should know something of the general and detailed business methods and systems used by that customer; and it is part of our job to see to it that if we are to grant him credit he must not only have his house in order but in such order that he and every possible creditor can know his real condition at all times and be able to detect the very earliest signs of trouble. In short we would be his Fairy Godfather whether he rubs the wand and wishes for us or not."

"Yes, I see you smile and say that I am making the credit man the all-wise guide of the customer's business, and outlining a job that time limit alone would make impossible, but my point is just this: When eighteen months, or two months, in advance you see those signs of trouble, it is your job not simply to 'flag' that account, not simply to act for 'the house' on your end of the line, but more than that, and vastly more important, to make a friendly analysis of conditions and methods of the customer's business and from your broader experience advise that change of method, system, or possibly even policy, which, because the change is made in time, will cure the trouble that is causing a slow crumbling of the very foundations of the business."

"You are the master of the situation. If the customer has any horse sense he will welcome you with open arms in your friendly advance. If he will not, then flag that account with the dead stop of red, but flag it in the customer's office not in your own. Be frank but be fair. You know what he, in his necessarily much narrower business circumstances and environment, does not know. Scores of failures come every year simply because the man of honest intent had no knowledge of that method or system which you could have supplied."

### HELPING RETAILER TO COMPETE WITH CHAIN STORE

"Much has been written, and in some sections conferences of local retail dealers have been more or less secretly held, on the supposedly menacing competition of the chain store. There are ways and methods already available for the aggressive dealer to meet the problems of merchandising in competition with the chain store. Perhaps you have never thought that the chain store's main advantage in competition comes in the fact that the chain store has constant expert supervision of its operating methods which is not based

on the wisdom of the local manager alone but the sum total of expert research and experience."

"The local independent dealer, your customer, needs most of all something that will approximate this supervision and service. With no blare of trumpets, it is part of your job and mine to render this service."

"I will grant that this opens up a somewhat broad vista: my conception of our job may seem to present problems as to the 'how' of rendering this service that we may hesitate to tackle. Nevertheless I insist that there will be a tremendous cut in the almost appalling total of failures in this good land of ours when we credit men function 100 per cent. on our opportunities. Yes, I believe that our position in our respective locations is second to none in importance and value to both our houses and to every customer. The demand is that we become bigger, broader men of service."

"Let's see that our local Associations of Credit Men have live Committees on Business Service, equipped with the results of experience, and endowed with tact and judgment, so that through them, even if it be unwise or impossible for us to act as individual credit men, we can act when the first sign of weakness is shown in a customer's account. By such friendly analysis and through draft on successful operating experiences of business at large, we can render that type of service which will keep the flag off many an account and in fact cause accounts to grow to the satisfaction of both customer and the house that sells him."

## Philadelphia Holds A Credit Conference

NOT satisfied with one State Conference a year, the Philadelphia Association of Credit Men undertook its own credit conference, in place of its usual December meeting. The Conference Committee consisted of Messrs. A. T. Rickards, Freas Brown Snyder, Wm. B. Monroe and J. Stanley Thomas.

The conference method made it possible to bring up strikingly to many of those present who are not members of the association, as also to many who are not taking advantage of the membership, the outstanding activities of the Association and its various forms of service.

Particularly interesting was the discussion following Alexander Wall's talk on "What the Association does, what it doesn't do, what it can, and what it can't do."

It was difficult to shut off the discussion on Mr. Wall's paper for many had thoughts to contribute; but the questions put by the quiz master, Freas Brown Snyder, directed the expressions along highly instructive lines.

The Philadelphia Public Ledger was represented by Charles S. Quinn who described the newspaper point of view of credits. J. Warren Heebner, of the Auto Sales & Service Company led a discussion of the timely subject of methods of financing automobiles and the effect of this financing on other lines of merchandise. The conference, which ended promptly at six o'clock was followed by a dinner which brought the conference to a close promptly at 8:15.



## With The Editor

### Life Insurance For The Merchant Debtor

**T**HE courage and will to face cold facts is the most distinguished characteristic of strong men. Other men's actions may have their impulses in passing circumstances, in the immediate events and necessities of the day, but the strong man faces the facts courageously and projects his thought beyond the present into the future when he knows he is to be confronted with new sets of conditions or when, perhaps, another must have taken his place to continue the policies which he framed.

The credit man examines the past and present of an applicant for credit favors with the sole purpose of determining whether this man is occupied with the present or is giving the proper attention to future changes and chances. What the credit man is trying to do is to get a measure of the sense of responsibility of the man whose case is before him, whether it is responsibility to dependents, to business associates or to those to whom he is under obligation as a borrower or recipient of credit favors.

A man who is spending all as he goes along, the concern whose dividend or profit-dividing policy makes no provision for surplus building or even depreciation, has a poor standing before the credit man. It is the future that interests him. The question that is uppermost is whether the man or concern is giving sufficiently serious thought to the problems that are ahead; and the credit man's searchings and analysis are made with a view to determining what chances surround the redemption of the promises attending the terms of the contract.

The basis of credit is so much more a matter of men than things that the credit man's analysis leads him to ask highly personal questions largely for the purpose of determining the value to the concern of the man or men who conduct its affairs.

There is nothing so uncertain as the length of a man's life and if that man's services to the concern are important, and if his death is likely to disrupt the organization which he is serving and reduce the concern's earning power and credit position, the credit man, whether of the bank or mercantile house extending considerable credits may well advise that the concern carry insurance on the man's life. The amount of this insurance is determined by the probable length of time he can give service that is equally productive with that he is now rendering. Is it sufficient to bridge over until a time when a suitable successor may be secured and the credit based upon the character and capacity of the new man established?

There is no development of modern times that has done more to contribute to human welfare than has the modern credit system through the operation of which there has come about a diffusion and abundance of necessities and comforts. That this diffusion and abundance

may continue uninterrupted by unforeseen disaster we have insurance on life and property which provides the means to keep the flow going definitely forward even though it may be necessary to build a new way or draft a new director.

On the threshold of the new year it would be well to consider if there has been thrown around the business every reasonable safeguard against the loss of those leaders upon whom the business depends for meeting its obligations, protecting its good name and caring for the future of faithful fellow workers and employees.

### Something More Than Weighing The Facts

**T**WO physicians were discussing some of the recent phases of advance in the medical profession. Neither depreciated the importance to the profession of the findings of science, the blood tests, the nerve reactions which are now minutely analyzed and measured and conclusions as to the patient's malady thereby reached. They felt however that there still is place for what might be called the esoteric physician, the physician whose powers of observation are so developed that he gets an insight of the causes of the troubles of the man before him, casually from his general demeanor.

The fact that such physicians cannot make their general methods of reaching conclusions intelligible to the man who thinks in terms of pure science, should not lead the latter in a sweep to condemn esotericism, for these physicians have made some astonishing discoveries. They have described conditions which science failed to find but which were sustained by later developments.

In credits we talk of the ushering in of scientific methods and measure the progress of credit control by the better knowledge we have gained of broad credit movements, as well as the specific conditions in which a debtor is placed, but there is still plenty of room for the esoteric thinker, the man of unusual powers of observation, who sometimes is nearer right in his conclusions than the man who can present fist fulls of evidence which, carefully weighed, can but lead to one conclusion.

A great advantage of scientific methods is that they can be passed on by one to another, can be definitely subjected to various tests by many men; through this process general progress can be made, while the powers of pure observation remain hidden from the general run of men not being communicable as are the scientific methods.

There will always be in every activity men of great powers of observation whose keenness of insight will never fail to amaze their fellows. To the credit man these powers have great value if only they do not lead into a sneering and careless contempt of that more plodding method of weighing facts and figures that the more scientific methods of credit granting suggest.

It would be interesting to know credit men's opinion of the comparative weight that is to be given to the esoteric and scientific methods of determining upon credit extensions.

### Depositing Checks Just Before the Bank Fails

**B**ANK failures have been numerous of late in certain sections of the United States. Losses have resulted therefrom to persons and corporations who had had no direct dealings with the defunct institutions, but to which their own depositaries had sent items for collection.

It is settled law in a majority of the states that a bank which forwards for collection checks, drafts or other instruments is not responsible for losses due to default or failure of its correspondent, providing only that it has used reasonable care in selecting a suitable and apparently solvent agent. For example: A, a merchant, receives from a customer a check drawn on the Utopia Bank of Paris, Alabama. He deposits the check in the Central Trust Co. of X, Massachusetts, his own Depositary. The Central Trust Co. forwards the check for collection to its correspondent, the Midland Trust Company, at Y, Alabama. The Midland Trust Co. presents the check to the Utopia Bank, collects the amount of it, and fails before it has forwarded the amount collected to the Central Trust Co. A must bear the loss, and becomes a creditor of the defunct Midland Trust Co. for the amount of the check.

Is there a remedy for this situation, and if so what is it? The suggestion has been made that if the Central Trust Co. forwarded its items for collection only to Federal Reserve Banks, the danger of loss would be reduced to an inappreciable minimum. But the Federal Reserve Act does not permit Federal Reserve Banks to act as collecting agents except from banks which clear their obligations at par. So then, if in the illustration above the Utopia Bank was not committed to "par payments," collection could not have been made through a Federal Reserve Bank, and there are some 3,000 non par payment banks in the United States today.

Business men are trying earnestly to solve this problem, and various plans have been discussed with a view to compelling banks to forward their collection items to Federal Reserve Banks whenever possible. On the other hand the expedient has been proposed of notifying customers that no payments will be accepted in the form of checks on non par banks, and supplementing this notification by explicit instructions to the depositary bank that all foreign items shall be forwarded for collection only to the Federal Reserve Bank. The latter plan if feasible from the practical standpoint would seem to have the merit of placing upon the forwarding bank the responsibility of deviating from the depositor's instructions at its own risk, and would prove at least a partial solution of the problem.



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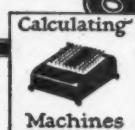
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## Encouraging Facts About Europe

(Continued from page 11)

ing values. If one goes to France today he will be impressed by the fact that among the people at least, the abnormal conditions of life are gradually becoming the normal conditions. It is now five years since the war closed and nearly ten years since the war opened. People are getting so far away from the conditions of 1913 that they are subconsciously feeling that such conditions will never return and that the present basis of prices, the present purchasing power of their money and the present atmosphere generally, is the normal atmosphere. The new generation now growing up and soon to be the leaders of business in European countries know very little about conditions as they prevailed before the war, while the older people are forgetting them. In other words, Europe generally is adjusting itself to the abnormal times in which it lives and is growing out of the abnormal into the normal.

It is exactly like our own situation in connection with prices, costs of living and so forth. A few years ago the average man was convinced that the high prices of the times were more or less temporary and that in a few years we would be back to the level of 1913, but we have become so accustomed to a fifty or sixty cent dollar, that it is now, in our minds, the normal dollar and no one seriously anticipates that he will ever again be able to live as cheaply at the same standard as he could a dozen years ago.

It is my opinion that one of the constructive facts in relation to the recovery of Europe, is that these inflated currencies are going to be more or less permanently stabilized around their present gold values. It will not be necessary for any governments to change par values of currencies to bring about this stabilization, any more than it has been necessary for the German Government to repudiate its internal debt officially in order to bring about repudiation. Every body knows that the entire German debt is repudiated and will remain repudiated. German war bonds have no value except as waste paper and with the repudiation of the mark, the debts of the country are necessarily repudiated. It may be that the German Government will never repudiate the mark officially, but will simply be able to stabilize it at its present nominal value, as Austria has already done with its currency. Ultimately new currencies with new par values may take the place of the old, but the effect will be exactly the same.

It seems to me that it is along this line that the financial problems of European Governments are going to work out. In the case of France, although its internal indebtedness amounts to approximately 250,000,000,000 francs, its actual internal debt in gold value is far less and should France collect as much as \$6,500,000,000 from Germany, France's internal debt would then be an easy burden for her to carry. At present, without figuring the Interallied debts in, it takes about 51% of the entire governmental revenue of France to meet the interest and sinking funds on her loans. This is a very heavy burden but is not such a big burden as the figures seem to indicate. In every government in the world which was involv-

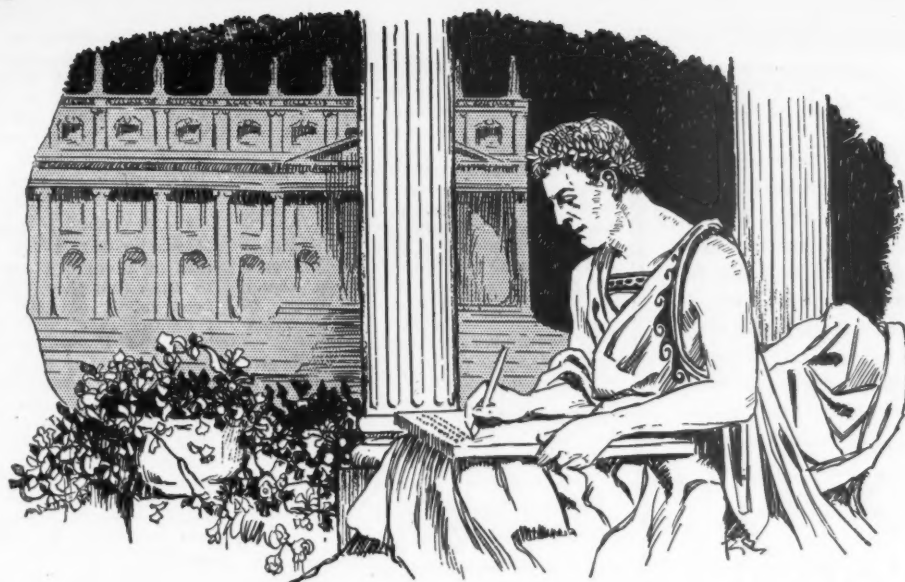
ed in the war, the percentage of revenue consumed in interest, and sinking fund payments is very large. For example, Great Britain is paying nearly as much of its revenues in interest, sinking funds and debt retirements. Italy is paying nearly as much and it will surprise some Americans to know that if Mr. Mellon's plan for tax reduction goes through next year, more than 35% of the United States taxation revenues will be consumed in interest and sinking fund costs.

The way to look at the future of Europe in connection with trade, therefore, is to bear the fact in mind that operating as these countries will, on low value prices, the time is coming when their excess of exports over imports will vastly increase. This development may not become distinctly apparent for several years yet, but it is quite possible that five years from now countries like France, Italy, Germany and Great Britain will be shipping enormous quantities of goods to America at relatively low costs. France and Germany especially, operating as they will be, with low cost labor as measured in dollars, will be able to send goods into this country which will easily jump over any tariff we may put on. And such goods are bound to come to this country in preference to any other part of the world simply because the American people insist upon the payment, by those countries of the heavy Interallied debts. England is already paying interest and sinking funds on her debt and we notice its effect on sterling exchange and on her shipment of gold to this country. England, however, can never pay these enormous sums in the years to come except through the shipment of goods. She has not enough gold and there is not enough gold in the world for her to make these vast settlements.

The same thing is true of the Continental countries. If France, Belgium, Italy and the smaller nations are to pay us these debts, through a period of from thirty to fifty years hence, we will simply be confronted with the necessity of receiving these payments in the form of goods. As for Germany, while Germany owes the United States only a nominal amount, yet we all know that if France and Italy pay it all, it will be through their receipts from Germany. I believe that this will prove to be the case also with the British debt. The British have assumed an obligation to us of \$4,600,000,000 with interest for sixty-two years, which means that in all they will pay us more than \$10,000,000,000. But according to the terms of the Peace Treaty, and in view of their attitude on the reparation problem, they mean to get this money partly through direct payment from Germany and partly from Germany through the indirect payment by France. I do not think that there is the slightest chance of England cancelling the French debt unless we cancel most of the British debt and I do not think there is the slightest chance of France, Belgium and Italy cancelling their claims on Germany unless we cancel their debts to us.

The picture we will, therefore, have a few years hence will be a tremendously industrious, aggressive, producing civilization in all Western Europe who will be manufacturing and distributing

(Continued on page 28)



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## Encouraging Facts About Europe

(Continued from page 26)

goods of every practical character to dump into American markets for the settlements of debts to us. Because of the necessity of paying American claims, we will witness Europe becoming,

for a period of years, the greatest producers of material goods on the face of the earth. This in itself will bring about the revival of Europe insofar as its wealth and producing power are concerned, and so far as I can see, it will mean, unless new legislation or new developments now unforeseen take place, a period in this country of unsettlement and depression and possibly hardship among our people which could not be brought about in any other way.

To sum up the situation, if we view the future ten to fifteen years ahead, we can foresee with the recovery of Europe, the danger of a reverse situation developing in America.

Many people say this view is absurd. It would be absurd if Europe did not have the advantage of low value currencies and if she were not obligated to America for the enormous sums incurred during the war.

## Russia Needs Character and Credit

(Continued from page 16)

disappointed with His first experiment with humankind that He sent a flood which, according to scriptural record, destroyed them all except Noah and his family—there began the second experiment.

While I was out there they were just beginning another experiment after the deluge. I happened to be there when the dove arrived from Lausanne, bearing the news of the peace that had at last come upon the earth. They are beginning again, the Turks are beginning again, a new order.

A very favorable impression was made upon me, but everybody said, "You can't trust your own judgment. You don't know them; you don't know the character that is back of these people." Well, I hope that those who have known them longer are, after all, mistaken, and that perhaps they are beginning again with a new purpose; though I am bound to say I had a shock when I was in Constantinople and was talking with one of the great officials

there. Something was said about a law that had been changed. "Well," he said, "what is a friend for if he can't interpret the law in favor of a friend?" That is a pretty bad thing, a very unsubstantial basis upon which to build again.

## AMERICA CAN TRY TO ESTABLISH CREDIT

I had a letter from the Bishop of Massachusetts, a few days ago, saying that he thought I was a great optimist to think that there could come anything good out of that part of the world; but I believe that there is a character to be found there and to be nourished there, and that it is America's opportunity, now that it is ending its charity in that part of the world to try to establish credit, to give credit that will help those people who have character to begin again.

Perhaps very few of them will have the answer that the boy had. This is a story from life, from the New York Life Insurance Co., and not from a publication:

A colored boy went into a drug store and asked if he might use the telephone. The druggist said, "Certainly, go ahead." This was the conversation that was overheard:

"Is this Mr. Johnson's house?"

"Yes."

"I hear that you want a boy to take care of your yard and your cow. Oh, you have a boy. Is he satisfactory?"

"Oh, he is perfectly satisfactory."

"Well, good morning, sir." And the boy hung up.

The druggist said, "Boy, are you looking for a job? I would like to have some one to help around the shop here." The boy said, "Oh, no, I am not looking for a job. I work for that man I was telephoning to. I was just checking up on myself."

I am not a financier. I happen to be a Director of one life insurance company, or have been for 15 years, and I happen to be one of three trustees to vote the majority stock of another; but I have a friend who is a banker—in fact, one who is nearer than a friend—and he told me the other day that in the part of the world in which he lived (and I presume this is true generally), it used to be a disgrace to borrow money, but now, when one has been able to borrow money from the bank—and I presume this is true of the Morris Plan banks—it is a certificate of character that he bears.

## FAITH, HOPE AND CHARACTER

It has occurred to me that the time has come for the substitution—well, perhaps it has not yet come, but we ought to work in that direction—instead of saying, "Now abideth faith, hope and charity," we might say, "And now abideth faith, hope and character"; and these two (faith and hope) find their fruition in character.

And so, through such efforts as are characteristic of this organization, we shall, I hope, get the whole world to playing again, and make (as Mr. Zangwill said the other day) a concert hall instead of a cockpit.

M. J. AVERBECK, Chairman of the Board Organized 1859 C. H. COATES, President

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## A Credit Department Justly Proud of Itself

J. D. CATHON, Credit Manager of the Hoover Company, North Canton, Ohio, is one of the financial executives who believe that the credit department should not hide its light under a bushel. He recently sent to the CREDIT MONTHLY a photograph about twelve inches square, reproduced herewith, showing the personnel of his modern and well organized department. He writes:

"We do not believe that we are at all egotistical in saying we believe we have a pretty fine department, one that is highly efficient and which works through the Cleveland branch of the National Association of Credit Men one hundred per cent. We are with the National Association of Credit Men first, last and all the time. If it were not for the National Association of Credit Men, we would not be the efficient body we are today.

"We send you this photograph in order that you might personally see the personnel of our Credit and Collection Department and that we are all quite human.

"In view of the few of the thirty thousand commercial and banking concerns are bound together in the National Association of Credit Men, I believe that it would be of deep, human interest to the readers of the CREDIT MONTHLY to have many such groups of photographs sent to the magazine for publication. This would promote one of the fundamental objects of the Association,—namely, personal co-operation between credit grantors in all parts of the country.

"As the years roll by the personnel of any department changes. One of the objects of preparing our photograph was that each member might have a



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copy to take with him wherever destiny may direct his footsteps. This would be a pleasant reminder of his association with our Credit and Collection Department."



# Controlling Branch Credits Strict Supervision Recommended

By Charles Jost

The Barrett Company, New York, N. Y.

THE object of this article is to bring out discussion as to the best methods of handling branch credits. Let the many other readers of the CREDIT MONTHLY who have experience give their fellows in credit work the advantage of an interchange of opinions and conclusions.

—THE EDITOR.

THE subject of branch credits is one which has been least discussed of any of the phases of credit granting. This is naturally due to the fact that comparatively few credit men, until recent years, have been brought face to face with the problem of organizing credit departments in branches.

When business on this continent spread westward, southward and northward, the first thought was to establish sales offices and little attention was given to the question of credits at branches. The credit work of the branch was either the function of the sales department or, if a general office credit department existed, it was directed from that point. Both systems have been found too costly—the former because of losses in bad debts and the latter because of losses in business.

Different sections of the country have peculiar conditions to work under and each section is best taken care of by a local credit and collection man, preferably a man who has received his business training in that section and is familiar with his locality and trade.

## TWO METHODS

There are, as I see it, two ways of conducting credit branches: (a) complete control by the general office, and (b) strict supervision but not absolute control.

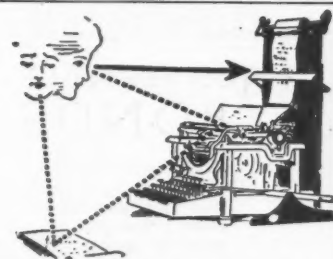
Let us assume that, under either system, we have a credit and collection man with average ability at each field point who is authorized to grant credits up to \$100. without further authority from the general office. In the case of the system of complete control, it would be necessary for the general office to set credit limits either on an approved credit limit list or on credit cards to be issued to each field point, the credit limits being based on information gathered by the field credit man and the general office. Naturally, if a particular field point had an order for approval, the amount of which was over \$100. and for which an approved credit limit had not been established, the field credit man would, of necessity, be obliged to communicate with the general office and obtain a credit limit.

On the other hand, in order to have complete control, the field credit man

would be faced with the same situation should he be required to approve orders beyond the set credit limit. Furthermore, in order to have an intelligent view of each customer's account as it relates to the credit limit, it is also necessary for the general office to keep, besides a credit file, a complete ledger record of the account of each customer sold by the field points. This, of course, can be done by having forwarded to the general office a copy of each invoice, and when the invoice is paid, a copy of a different color marked "Paid." With these posting mediums, ledger cards can be maintained and an accurate account kept of each customer. Of course this system has the advantage of complete control, but it has the disadvantage of the work necessary in duplicating the ledger records, as well as the limited latitude allowed the field credit man, who, we have assumed, has average ability.

On first thought, it might appear that an average credit man would not be required at each field point under this system. However, if we consider that it is his duty to supply the local information and color on each customer, and also effect the collection and ad-

(Continued on page 33)



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The Bureau has received exceptionally hearty cooperation from a large majority of the business firms whom its agents have approached for cases. It is only in rare instances that assistance has been refused. The chief difficulty has been in getting at all facts and all the reasons for the decisions reached by the business executives. It has been found that the average business executive ordinarily does not crystallize his problems carefully before making his decisions.

So far as business men are concerned, this collection of cases will be of some benefit in the not far distant future, by affording better training to the young men whom they take into their employ from the various schools in which instruction in business management is given. In the more far away future, the record of these cases will become particularly valuable for business men for reference in learning precedents or guidance in handling their own problems. If the business executive, for example, can be provided with the record of the experience of a large number of firms on methods of paying salesmen and the results that have been accomplished with different methods, he can judge far more intelligently than at the present time regarding the methods of compensation that he should utilize in his own business. Similarly, in financing a business, a record of the methods that have been used under various sets of conditions will furnish a guide for many a business man in planning for his own expansion. This larger objective is one toward which the Bureau is aiming, but in the meantime it is necessarily giving its efforts primarily to providing material that is urgently needed for immediate use in the classroom.

### Training for Business

(Continued from page 19)

garding style tendencies, provided background for the decision on this problem. These are the common, everyday sort of problems that are constantly arising in actual business. It is this sort of case that the Bureau seeks to record, not the unusual or exceptional.

The collection of these cases already has proved to be of large benefit to the Harvard Business School, and many of the problems are also being used in other schools of business management. The Bureau aims to make the results of its work as widely available as possible.

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### FINANCIAL STATEMENT, JANUARY 1, 1923

#### ASSETS

Bonds and Mortgages .....	\$ 860,300.00
U. S. Liberty Bonds .....	2,855,500.00
Government, City, Railroad and other Bonds .....	
Stocks .....	35,256,025.47
Cash in Banks and Office .....	2,945,403.61
Premiums in course of Collection .....	7,640,891.26
Interest Accrued .....	415,074.64
Reinsurance Recoverable on Paid Losses .....	136,599.29

\$50,109,794.27

W. H. PAULSON, Vice-Pres.  
W. L. LINDSAY, Sec.  
A. H. WITTHORN, Asst. Sec.  
M. J. VOLKMAN, Local Sec.

#### LIABILITIES

Capital .....	\$ 3,500,000.00
Surplus .....	14,319,389.49
Reinsurance Reserve .....	18,090,595.52
Losses in course of Adjustment .....	6,235,323.00
Commission and other Items .....	5,459,486.26
Reserve for Taxes and Depreciation .....	2,505,000.00

\$50,109,794.27

Surplus to Policy Holders  
\$17,819,389.49

## A Busy Chairman

JAMES S. COX, who was elected Chairman of the National Membership Committee of the National Association of Credit Men for 1923-24, is waging a sweeping campaign for new members and looks forward to seeing a substantial increase in the figures of the National Membership list at the Annual Convention next June. Having served for two years on the Membership Committee of the Chicago Association of Credit Men and as Vice-Chairman of the National Membership Committee for 1922-23, Mr. Cox was well prepared to launch his present membership campaign. After three years of service as a Director of the Chicago Association he knows the actual benefits to be derived from membership in the local and National associations and appreciates the need of the business man for the services his membership affords him.



James S. Cox

Mr. Cox started his business career as a clerk with the American Express Co., and has been connected successively with the Santa Fe Refrigerator Dispatch Co. as inspector, and with Rothschild and Co., Chicago, as collector; he was Asst. Credit Manager for W. C. Ritchie & Co., Chicago, before assuming his present duties as Credit Manager for that company.

Outside of business Mr. Cox likes to spend as much time as possible out of doors, walking or gardening, and finds pleasure and much food for thought by reading the bulletin of the Chicago Association, the CREDIT MONTHLY, and the Saturday Evening Post.

## "John Moody Night"

The Lansing Association of Credit Men recently held a banquet at which John Moody, President of Moody's Investors Service, was the principal speaker. The occasion was played up as "John Moody Night." There was a large attendance at the dinner and the meeting attracted a great deal of attention in the Lansing newspapers and throughout the business community of that City. The officers of the Lansing Association are Albert A. Elssesser, President; B. C. Vail, Vice-President; C. M. Howland, Secretary; and Clarence Schray, Treasurer.



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## Controlling Branch Credits

(Continued from page 31)

justment of the accounts, it is evident this could not be done by an ordinary clerk.

### STRICT SUPERVISION

Now let us analyze the system of complete control but strict supervision. The field credit man should be duly informed, in detail and in writing, of the company's credit and collection policy. It should be made clear what is to be done in opening an account of which the agency rating is worse than first grade credit, or, if first grade credit, the order is out of proportion to the financial rating. The field credit man, either on the rating or after having obtained the required information, is then to approve the order and forward the proper form with copies of information obtained to the general office where it is to be reviewed and, if necessary, criticised. All data gathered are to be kept on file. Unless the field credit man receives instructions to the contrary, he continues to sell this customer provided the account does not become unreasonably past due, or does not reach a total which he believes is unwarranted.

The field credit man also follows the collection policy laid down in the written instructions above outlined. This should cover, in a general way, every phase of the credit and collection policy. At the end of each month, however, each field point forwards to the general office an analysis of its customers' ledger showing past due accounts in columns of 30, 60, 90 days, etc. This is carefully reviewed by the general office and usually at least the totals of the past due columns criticised, if not the individual past due accounts brought to the attention of the field credit man.

The question immediately arises, why cannot the field credit man make false entries on his analysis? If this were done, it would soon be discovered by the general office credit manager, or his assistant, one of whom is to make periodic visits to the field points and audit the analysis as well as the general accounts. The analysis may also be used by the traveling auditors in making their field audits, and an arrangement can be made with the auditing department whereby, if it is found that incorrect entries are made on the

## Initiative and Judgment Yes, But Always CO-OPERATION

**By W. R. Meech**

Vice-Pres., Norfolk-Tidewater Association of Credit Men

**I**N a very illuminating article, S. C. McConahey of the Westinghouse Air Brake Co., named four qualifications which he considered the credit man should possess: He should (a) be able to see ahead better than the average group; (b) be in close touch with the clearest-thinking minds of his day; (c) be able to understand and know the economic and political drift of opinion among the mass of people; (d) have a profound knowledge of fundamental facts.

These are ideals. Many credit men have multifarious duties outside their credit work. They may be sales managers, accountants, buyers, or superintendents of manufacturing. Their diversified activities prevent them from an exhaustive study of the credit situation

which makes it vastly more important for such workers to keep in close communion with their fellow credit grantors.

The Alpine climbers tie themselves together with ropes so that if one slips and falls the others will save him from destruction. There is a parallel situation among credit men. We should be so well tied together with a common interest that a slip of judgment can be avoided and loss prevented. By sincere and earnest co-operation we can sense the danger of failure and work for a common good.

A recent distressing failure in Norfolk would have been avoided if the

(Continued on page 37)

monthly analysis by a field point, immediate report is made to the treasurer or the credit manager.

### COMPETITION BETWEEN BRANCHES

To work out competitive methods between branch offices is helpful. This may be accomplished by setting a collection budget each month for each field point basing it on the total outstandings at the beginning of the month plus estimated sales for the current month. It has been found that this method creates keen rivalry between the field points, and if a weekly percentage chart is published, each field point endeavors to be at the head of the list.

Referring again to the periodic visits to all field points by the general office credit manager or his assistant, although it may seem extravagant to incur such expenditure of time and money, from actual experience it is found that so much is gained that the expense is trivial in comparison. No matter how definite written instructions or outlines of policy may be, they must, of necessity, be general in character. Many a prospective customer has been turned down simply on the cold facts in the hands of a credit man.

If he had had personal contact with the customer, he might have approved the order and made a permanent friend for his house. The old saying, "great oaks from little acorns grow," is a good one to keep in mind in turning down an order when an account is past due, or when placing a past due account with an attorney. While the argument may not seem to justify the visits of the general office credit manager or his assistant, it is brought out for the purpose of showing what personal contact with customers can accomplish. And the value of the personal contact with the customer is more than equalled by personal contact between the field credit man and general office afforded by frequent visits.

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### "Stunt" Collection Letters and Many others

MAKING LETTERS PAY, Edward H. Schulze. D. Appleton & Co., N. Y., 1923. 448 pp.

Books on business letters are appearing with ever increasing frequency. In view of this fact it is surprising to find so much different material in Making Letters Pay. The author is concerned principally with sales letters. His subject matter is the result of years of successful experience in selling campaigns. The book is rich in actual concrete material. Eighty pages of the book are devoted to Credits and Collections. These pages are amply illustrated with forms and letters. The collection letters are of the "stunt" rather than of the orthodox or conventional variety. The credit man who has got into a rut in his letter writing will find a large number of excellent ideas in these letters which he could incorporate in his work. He needs only to be counseled that the best thing for him to do is to profit by the ideas in the letters rather than to use the letters verbatim; for once "stunt" letters become common and stereotyped, they lose their effectiveness just as quickly as do letters of the more orthodox variety.

### Economics Tied to Business Operations

PRACTICAL ECONOMICS, Henry P. Shearman. McGraw-Hill Book Co., Inc. N. Y., 1922. 352 pp.

The author has written a book for business men and has concentrated particularly on those chapters in which business men are concerned. He presents the material in very concrete fashion. He has drawn heavily on the contributions of business research made in the last few years to illustrate salient points in his discussion. Business men who are interested in knowing how closely Economics is tied to business operations will find a large amount of valuable information in this book. The chapters on Exchange, Values and Prices are particularly well illustrated by material. The Cincinnati Chapter of the National Institute of Credit of the National Association of Credit Men with its 130 members has adopted this book for its course, to the evident satisfaction of both instructors and students.

### Getting Rid of the "Hunch" in Credit Work

FINANCIAL AND OPERATING RATIOS IN MANAGEMENT, James H. Bliss, Ronald Press Co., N. Y., 1923. 387 pp.

The last few years have seen a large increase in the growth of statistical material on business, and the pioneer work of the Harvard Bureau of Business Research on operating expenses and the Robert Morris Associates, the group of bank credit men in the National Association of Credit Men, on financial ratios is now being splendidly reinforced by similar work of other organizations and individuals. The book under review makes valuable contribution to our still small fund of exact knowledge in these fields. The author has divided his book into two parts. Part I "considers the various ratios and turnovers

which the business executive should carefully note and compare. It explains the method of computing these measures of business efficiency and the particular bearing each measure has on the general problem of securing effective control of the finances and operations of the business. Part II contains, with explanations, tables of ratios, turnovers, and other statistics compiled from published reports of representative companies in many industries. These statistics afford standards to which reference may be made, enabling a company in any of the industries considered to compare its own statistics with the standards within the same industry, and thus to gauge its competitive position."

The statistical material contained in the book covers a wide range of industry. Moreover, it covers in most instances the years 1913 to 1921, thus illustrating all the periods of the business cycle and making possible the establishment of an average or form for each line of business covered.

The banking or commercial credit man will be particularly interested in these figures. They are invaluable to him in his financial statement analysis.

There is no better way of illustrating the material covered than by giving a few of the chapter headings: Relation of Operating Profits to Volume of Business; Turnover of Total Capital Used; Relation of Gross Earnings to Volume of Business; Analyzing Financial Statements; Statistics on the Surplus Net Profits Earned on Net Worth; Statistics on the Turnover of Inventories; Statistics on the Turnover of Accounts Receivable; Statistics on the Turnover of Fixed Property Investment; Statistics on the Working Capital Ratio; Statistics on the Proportion of Earnings Left in the Business; Statistics Summarizing Changes in Financial Position.

This book is indispensable to the financial executive who is interested in making decisions on the basis of ascertained facts and figures rather than "hunches." Unless the reviewer is mistaken, this book will ultimately find its way into the library of every thoughtful credit man.

ECONOMICS FOR EVERY MAN, James Edward Le Rossignol. Henry Holt Co., N. Y., 1923. 326 pp.

The title of this book is aptly chosen. Though he wrote his book in answer to a request from an organization of young businessmen, the author did not make the mistake which some writers of modern books on Economics in confining the discussion to intricacies of business administration and leaving out business in its broader social aspects. In other words, the book, though eminently suitable for a business man, is no less suitable for men and women engaged in the older professions, and in fact for anyone who is interested in getting an introduction to the science of economics.

The author knows how to put his material in a simple, direct and homely form. To those who have associated Economics with abstruse technical terms and a limited vernacular, this

book will be refreshing reading.

The value of the book is considerably enhanced by the addition of questions and topics at the end of each chapter, and by the inclusion of a list of supplementary readings. The book is likewise attractive for its typography and make-up, though the reviewer has noted an occasional error, such as that on page 317, "conservatism" for "conservation."

### A Loose-Leaf Manual on Accounting

PUTNAM'S PRACTICAL ACCOUNTING.  
Alonzo Putnam, Jr., B. C. S. Practical Business Publishing Co., Boston, 1923.

The form of this manual is unusual. It is a loose-leaf leather folder four and three-quarter inches by seven inches, containing in the most compact form a large amount of material on accounting for the business man, office executive, accountant and student. The author has covered this broad and difficult subject not only concisely but clearly.

The book is divided into four chapters: Single Entry, Double Entry, Partnership, and Corporation. Under Single Entry Bookkeeping he has defined the term, and has notes on Disadvantages, Profit and Loss, Problems in Finding Net Worth, and Change from Single to Double Entry. Much more elaborate is his treatment of the three other chapters.

The book assumes that the reader has some knowledge of bookkeeping and accounting, but would be of use to students and would serve as a very practical ready reference for the average office library.

### Initiative and Judgment

(Continued from page 33)

creditors had used the precautions and methods which are advocated by the National Association of Credit Men. Impetuous action of one creditor rushed the business on the rocks to the great damage of all concerned. In any action we should all join to guard what each desires to preserve.

Co-operation is a word much discussed; recently it has been applied to many and various avenues of human endeavor. We have watched with much interest the experiment of co-operative marketing in many states, applied especially in the Carolinas and Virginia to the handling of cotton, tobacco and peanuts. There is no doubt that the power of concerted action is most valuable in securing the desired result. Everything that adds to knowledge of conditions, which enables the producer to dispose of his product to advantage is of prime importance, but the danger comes in the surrender of individual rights which are delegated to one individual or a small group of agents.

#### CO-OPERATION CANNOT REPLACE INITIATIVE AND JUDGMENT

In credits we find the most helpful co-operation in the exchange of ideas and information, but we would hardly go so far as to pool our accounts and leave them to a single credit or collection agency. Co-operation should not destroy individual initiative nor prevent the exercise of personal judgment.

There is an insistent demand right now for governmental aid to establish co-operative marketing in the wheat growing section of the West. Condi-

tions there are represented to be about the same as the Southern cotton planters labored under a few years ago when the "buy a bale" movement was popular. Much of the agitation in regard to the wheat situation is purely political. Although I do not wish to minimize the economic distress of the wheat growing states I am loath to believe that such palliatives as higher tariffs and rural credits will greatly alleviate the situation. The inexorable laws of supply and demand cannot be changed by legislation, especially as we cannot localize them. We must take into account the facts if we cannot change circumstances; and there should be credit co-operation between these sections where agriculture is the most important industry and the manufacturing centers. The credit situation in the wheat growing states is generally considered basically sound but decreased buying powers of the farmer naturally affects commercial activity. That is where credit co-operation should be most active. Credit men in the South who have had experience in carrying their customers through the period of depression occasioned by low priced products, feel a certain sense of pride that their leniency in many cases is amply repaid, now that prosperity is evidenced in the Southland.

One of the most disturbing factors in the Norfolk situation is the inequality of freight rates. Although many of the shippers are showing splendid co-operation in their efforts to get readjustment which will put Norfolk on a parity with other sections of the country, we need the assistance of credit men who are vitally interested in this problem. The railway executives declare they are unable to do anything and seem perfectly willing to allow traffic to make a detour and reach the markets which rightfully belong to us by other routes which are more favorable. Freight is regularly sent through Virginia to points South at a lower rate than if shipped here, while products from the West are shunted around into southern and southeastern territory at more advantageous rates.

These are problems that call for the most active co-operation of the credit men. If our trade gets away there will be no credit to consider except our own. Some of our friends in the Carolinas seem to think we are fighting established rates to their detriment, but they mistake our purpose. They are our best friends as well as our best customers, and all Virginia asks is equality of opportunity on a basis which will enable us to hold established business.

#### COTTON STATES PROSPEROUS

The cotton growing states are enjoying a wonderful degree of prosperity. Those who are concerned with credits in that section should co-operate in handling the situation so that history may not repeat itself in the excesses of former days. The tendency to speculate looms large in every buoyant market, and credit men should watch the situation closely.

Dr. Coue achieved wonderful results by the simple process of repeating a few words continuously so that they became ingrained in the subconscious mental faculties and produced a desired result. Let us as credit men keep repeating forty times a day, "Co-operate."

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## "A Friend Or Two"

By John W. H. Ross

Manager, Membership Department,  
National Association of Credit Men

O. C. REICHERT, Vice-Chairman of the National Membership Committee of the National Association of Credit Men for District 10, which comprises California, Nevada, Oregon and Washington, announces that Los Angeles is making rapid strides in the National Membership Campaign. The activities of the membership committee during the month of October brought in 52 new members and on November 24 another campaign was started which was called the "Thos. G. Stallsmith testimonial."

Thos. G. Stallsmith has given much of his time and effort for the benefit of membership work in the Los Angeles Association of Credit Men. He is now confined to his bed at the French Hospital at Los Angeles and his many friends in the Association and on the membership committee are rallying to his support so that the membership record of Los Angeles will stand with those in the first rank.

It has occurred to the men on this membership committee that they now have a wonderful opportunity to show their good friend, by their deeds rather than words, that they appreciate the privilege of calling him friend. This is the reason for the membership testimonial of love and esteem by those of his friends who will place to his credit one new membership in the Association during the campaign.

Mr. Reichert, in this connection quotes Nesbit's poem as follows:

"There's all of pleasure and all of peace  
In a friend or two;  
And all your troubles may find release  
With a friend or two;  
It's in the grip of the clasping hand  
On native soil or in alien land;  
But the world is made—do you understand?"  
Of a friend or two.

On another page of this issue of the CREDIT MONTHLY appears an interesting series of pictures, now being used to good advantage in the Los Angeles membership campaign, entitled "Busy Bill is a Credit Man."

## Read the Credit Monthly and Avoid Loss

THE CREDIT MONTHLY is to be congratulated on containing invaluable information in the way of various opinions and experiences of credit men throughout the country. I recently found in Zephon's column, under the heading "Addresses Wanted," a name of a concern to whom I was about to ship goods.

Had it not been for the notice in the CREDIT MONTHLY, I should have passed

## A CREDIT SALES MANAGER

By Simon Lieban  
Harry Berger Shirt Co.,  
New York, N. Y.

THE question whether the functions of the credit man may be successfully combined with those of the sales manager, cannot be answered by a categorical yes or no. The fusing of the two departments is not possible in theory but is often possible in practice,—however paradoxical this statement may seem.

In theory the union of the departments is not possible because the functions of the two are widely different as are those of a legislative body from a judicial one,—although by no means are the separate functions opposed to each other.

If the sales instinct in an individual over-shadows his careful unbiased judgment, he would forever enlarge upon the importance of selling goods at the expense of a sound and conservative policy. If the opposite were true, the extreme caution exercised would cut the volume of business down beyond necessity, if not beyond all reason.

Yet, the fusing of the functions of sales and credits is possible in practice, because there are individuals in whom both of these instincts are so wonderfully balanced that the one will act as an automatic check upon the other. Such men are few in number, however, and generally achieve such signal success in their line of endeavor that their business soon reaches the point where it is too big for any one man to handle. At that moment they fall back upon the accepted theory that it is not well to combine both functions under one head; they then proceed to engage both a sales manager and a credit manager.

Assuming that we have an organization large enough to require separate executives for sales and credits, and taking it for granted that each is an expert in his chosen field, how can we achieve results at least equal to those obtained by a single executive head in a smaller business?

The secret—but it is no secret, for hundreds of us have practiced it for many years—is co-operation. Co-operation means to work with and not against. Without sacrificing any of his prerogatives, let the sales manager simply give thought to the fact that a sale is of benefit to the house only after it has been paid for, and let the credit manager bear in mind that a net profit can result only from a sufficient volume of sales and not from the accounts that he has turned down in order to show a small percentage of losses.

If this is done, the sales manager and credit manager will act as a stimulus to and not as a check upon each other; and the house whose interests they are loyally striving to advance will have no occasion to question the wisdom of having a separate head for each department.

credit on the concern in question on the strength of information received from a mercantile agency whose name I need not divulge.

I may further state that my receiving this information through the magazine has helped other—and possible—creditors. Moreover, the mercantile agency in question is now issuing a report advising that no further merchandise be shipped to this debtor.

The "Addresses Wanted" column no doubt proves of as much assistance to others as it has to me.

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## The Bad Check

### How Peoria Deals With It

By H. F. Shmer

Sec., Peoria Assn. of Credit Men  
THE Peoria Association of Credit Men has found the way to throw terror into the hearts of check forgers, and bad check writers. The check law of Illinois now makes the uttering or delivering of a forged or bad check prima facie evidence of intent to defraud, thus throwing the burden of proof on the drawer of the check. With this law as a basis of operation the Peoria Association of Credit Men determined to go systematically after the bad or forged check writer. A filing cabinet was installed for this specific work and from May 1921 to May 1923 records of 253 criminal cases including confidence games as well as forgeries and bad checks went into these files. In seventy-six of the cases convictions were obtained and the offenders sent to penitentiaries, probational schools or made to make restitution and costs.

Each week the office forwards to members a complete list of all insufficient funds checks and in seven months the list contained 924 names. The office insists that it be given absolute control of the checks referred to it and the right to handle matters as it sees fit. If the check is written by an old offender or one who is out on probation criminal action is started at once.

The result has been to get the cordial co-operation of the state's attorney, the sheriff and the Police Department. They give their co-operation because they know that the purpose is not to use them merely for the collection of accounts that have gone wrong. The co-operation of these departments with the Peoria credit men is so close that all matters pertaining to bad checks which first reach the state attorney or police department are referred without question to the Peoria Asso.

The Association in the beginning operated on the principle that there should be no newspaper publicity for its cases but two years ago this policy was changed because it was felt that the number of cases was not diminishing. Then followed full publicity with the names of the concerns interested given and the name of the "check artist" and a complete history of the case. This was soon found to be effective advertising. The criminally disposed reached the conclusion that Peoria was a bad place to ply their trade as soon as they became satisfied that the advertising was not merely bluff.

The Association goes to great length to bring the check writer back into its jurisdiction. It has gone as far west as Denver and Kansas City, as far east as Pennsylvania and south to Kentucky to bring the check writer back to the seat of his crime. The Peoria chief of police or sheriff gets into touch with his fellow officers of the distant city asking for immediate arrest of the offender and that he be held until called for by Peoria authorities. The Association then gets the witnesses on hand ready for the trial of the case. In all cases the Association is represented as such, appearing before the Grand Jury and the Court. It brings together the evidence, secures the witnesses, sits at the table with the state's attorney and oftentimes helps in directing the trial. In this way the prosecution is linked to the Association's office.

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## An Elusive Commercial Crook

(Continued from page 14)

pointed investigators, however, and it was necessary to set another date for a meeting. The truckman failed to present himself a second time and arrangements had to be made to get him under subpoena.

With the facts obtained by the investigator, the case was drafted and presented to the United States District Attorney, whose department stated that there were insufficient grounds for an action. It was necessary to take the matter up with the District Attorney himself; but it was decided that if he refused to do anything, the case would be taken to the Attorney General's office in Washington because the investigators had satisfied themselves that there were sufficient grounds for action.

### CHARGED WITH PERJURY

A warrant was subsequently issued by the United States Department of Justice charging Siegel with perjury. Arrested in July, 1923, Siegel was questioned before the referee as to the alleged removal of assets within a month of his failure on April 18, 1922. He was asked whether it was not true that he removed or caused to be removed large quantities of merchandise in a truck or automobile late at night or early in the morning from his place of business. He denied he had done so and declared the only merchandise taken out of his store was sold legitimately. A Department of Justice agent who had investigated and corroborated the evidence that the Investigation and Prosecution Department of the Association originally found in this matter made an affidavit immediately for the arrest of Siegel. The final hearing took place before the United States Commissioner and Siegel was held under \$1000. bail.

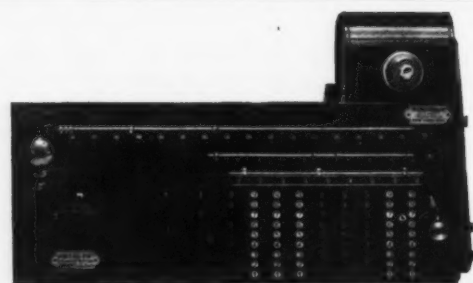
On September 15, 1923, at Philadelphia, the Federal Grand Jury returned an indictment against Nathan Siegel charging him with having committed

perjury in testifying before the referee in his bankruptcy examination. The case came up for trial, October 10, and the New York truckman failed to appear as witness until about 11:30 A. M. The Court continued the case until 2:00 P. M. in the afternoon when the trial started and kept in session until 3:30, when it was adjourned to the next day.

During the truckman's original testimony on Wednesday afternoon, he fell down flat on the affidavit taken from him some months before. When he went into the court room at 2:00 o'clock, he immediately identified Nathan Siegel and said, "He is the man sitting on the back bench who came over to New York and hired me and then rode on the truck to Philadelphia while I got the load and returned to New York and helped in placing the stuff at the Lewis street address." When he got on the stand he denied that he knew anything about Siegel or that he had ever seen him before. As a result he was confronted with his affidavit and for a time made a poor witness for the Government. But we were up against a proposition and had to pull it through even if we lost the Siegel case and found it necessary to indict the truckman on charges of perjury.

When Court convened Thursday, it was found necessary to put the truckman back on the stand. He did not appear in Court and was looked for in the corridor and finally was located on the first floor of the Federal Building nervously pulling at a cigar. A court officer requested him to come into Court. He replied that he would do so after awhile and when he got ready. The court officer returned to Court, gave his report and then things began to happen. The truckman was placed before the bar of the Court and requested to take the witness stand. The judge then took him in hand and gave him more than a third degree.

The truckman was provoked at this and he told the Court that he had an additional story he wanted to tell



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about Siegel. The judge then confronted him with the fact that he apparently realized that the defendant's name was Siegel, although he had denied it the day before. After that point was settled, the truckman proceeded to charge Siegel with coming to him on Wednesday afternoon offering him \$25. to change his testimony. He was to testify that the truck load of stuff that was outside of Siegel's place had not come out of Siegel's store, but that he got the merchandise in Baltimore and was on his way to New York City with it and merely dropped off to see Siegel and take a couple of packages for him to New York City to be delivered to a cousin. The truckman added that he refused to accept the \$25. and on Thursday morning when Court was about to be resumed, Siegel met him on the third floor and instructed him to stand downstairs and not appear in Court as a witness. Consequently he made that remark to the court officer as referred to and the truckman further alleged at the time that Siegel was in the company of another man and again insisted that he take the \$25.

Twenty-five hundred dollars bail was first asked for; but the amount was finally reduced to \$1000. with the understanding that Siegel was to appear in Court next Monday, October 15, for sentence. The truckman was required to stay in Court and after the Siegel proceeding had finished, he was again brought before the Court and was given a severe lecture by the judge, who incidentally informed him that he felt like sending him to jail for a period of thirty days that he might have proper time to study over his tactics and acquire proper respect for a United States Court.

#### DEFENDANT'S ATTORNEY WRUNG THEIR HEARTS

The case came up again on October 15 and after the usual sympathetic plea of the attorney for the defense who outlined all the anticipated illnesses of the family for some time to come, the judge took the matter in hand and carefully reviewed his opinion of the case. He addressed Siegel, and advised him that he was satisfied he had had a fair trial, was guilty of all that he had been charged with and had deliberately removed the merchandise which belonged to the creditors, prior to the bankruptcy proceedings and had then endeavored to lie out of it. After making it plain that he could not express any leniency and that such tactics on the part of bankrupts in his district must come to an end, he imposed a sentence of eighteen months in the Federal penitentiary at Atlanta.

When formal complaint was filed with the Investigation and Prosecution Department by the Sunlite Aluminum Co., a letter was addressed to all creditors asking them whether or not an investigation would meet with their approval and support. A brief outline of what was believed to have happened was included in the letter. This letter immediately brought a notice from the debtor's attorney that unless there was a retraction of the statements in the letter to the creditors, action would be taken against the writer. Out of the large number of creditors, only a small portion showed any willingness to co-operate in the prosecution of the case. This indicates how difficult it

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is to get co-operation in matters of this sort and how essential therefore is a national fund for the investigation and prosecution of commercial crooks if we are to make satisfactory headway against them.

## A Closer Watch on Business

(Continued from page 13)

fore, a trend (whether upward or downward) has become well established, it rarely is reversed overnight but rather tends to persist for many months. Just for the sake of getting a new word, we might describe this tendency to keep on going up or keep on going down as "economic momentum."

### WHAT ABOUT THE SMALLER TOWN?

Pushing the method a step further, what happens when you are called upon to scrutinize a risk in some little town that isn't on the map at all so far as check transactions are concerned? For all I know, the town may not have a bank at all. Those gifted in statistics lay out an appalling program for analyzing the town with respect to local industries, natural resources, trade channels, and several other items. They suggest evaluating all these items and striking a grand average which might (or might not) measure the trend of local business. A hasty estimate leads me to anticipate that such a procedure might run into more money than the order itself. That's the mean side of all such schemes. It's like paying \$100 to insure a \$100 automobile.

When a town is too small or too sluggish to report check transactions, the least expensive and in some ways the most useful procedure is to gauge the trend in surrounding localities. In certain cases this won't work. But in most cases it will work. Every day neighboring localities are becoming more and more closely inter-connected by economic ties.

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### TREND OFTEN INDICATED NINETY DAYS IN ADVANCE

It is interesting to see how clearly the trend of business is disclosed by this method of scrutinizing check transactions. It is often possible to estimate the trend, as far ahead as ninety days. Of course this doesn't mean mathematical, but rather a practical "expectation," as the insurance men call it. Moreover, the trend is what you really require instead of just the present situation. The ability of a debtor to pay, depends not upon conditions at the time the order is placed, but upon conditions ruling at the time the goods are offered to the public.

Without trying to put too fine a point upon it, we can say that the trend of local business can be gauged for three months ahead within 10 or 15 per cent. for most localities. This refers of course to average results and recognizes the many cases where the estimate will be wide of the mark.

### SOME POSSIBLE OBJECTIONS ANSWERED

To answer in advance some obvious complaints about this plan, I state plainly that it is not designed for the professional statistician and economist who has the personal time and clerical staff to build and operate elaborate statistical machinery. The whole viewpoint is that of the credit man who will run

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the statistical work in odd moments, single-handed and alone, or perhaps with an occasional lift from a stenographer or two. These executives—and probably they are in the majority—have but two alternatives: either to let statistics alone altogether or to concentrate strictly on essentials without worrying about theoretical and hair-splitting refinements. Why demand a micrometer when measuring cord-wood! What I have attempted, and all I have attempted is to work out a rough-and-ready, home-made method of gauging the trend of business in perhaps one hundred of the key cities of the country, and then using these cities as a clue to conditions in many of the smaller satellite towns which take the cue from some neighboring metropolis.

#### DIRECT APPLICATIONS TO THE DAY'S WORK

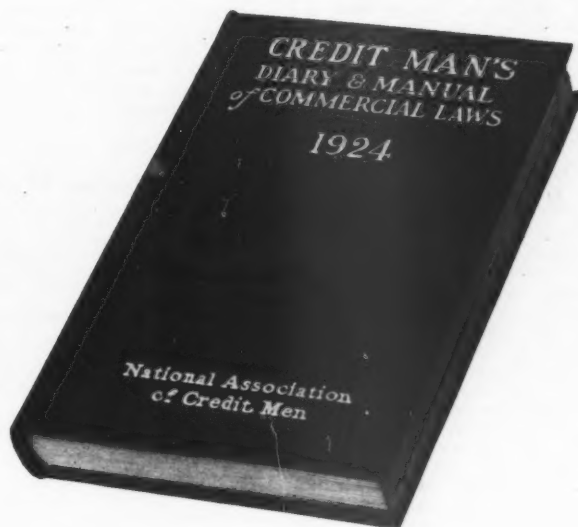
The applications of such a study are almost self-evident. In a locality where the trend is upward, credit can be granted more liberally,—to accounts which satisfy standard requirements, such as mercantile reports, ledger experiences, statement ratios, and other criteria. Where the local trend is upward, debtors' alibis of poor conditions may fairly be questioned, collections can fairly be pressed with considerable vigor, and observance of terms can fairly be insisted upon rather strictly. On the other hand, where statistics show that local conditions really are at a low ebb, both credit and collection policies can be shaped accordingly.

At a recent meeting of the Boston Association of Credit Men, Alexander Wall gave a most interesting discussion of the work which the Robert Morris Associates are doing in the ratio analysis of statements. He mentioned, for instance, the importance of not setting up an arbitrary and fixed ratio for inventory and receivables, but rather of giving this ratio an interpretation depending upon whether business is on the up-swing or the down-swing. In other words, a high inventory figure is far more undesirable on the eve of a deflation in commodity prices than when the price tide is rising.

#### CORRESPONDENCE SOLICITED

Under the leadership of the National Association, credit men all over the country are studying their work with a persistence and seriousness which is hardly equalled by men engaged in any other line of work. It is really a wonderful privilege to have available such an organization and to be able through the medium of the CREDIT MONTHLY to get your ideas before the membership, where they can receive criticism, comment, construction, and generally be licked into practical shape. I appreciate the opportunity highly and will welcome correspondence from members who are interested in this problem—the problem of how the active grantor of credit can most efficiently keep in touch with changing business conditions in the multitude of localities upon which he must pass judgment.

I have no doubt that the editor will appreciate a lively discussion of the subject I have here brought up and I will of course be glad to assist the editor in the expansion of such a discussion.



## A Book Every Credit Man Needs

Credit is an exacting profession. Guess work will not do. It calls for knowledge of law, and the constant change in the law and its interpretation demand up-to-date knowledge. False statement laws with their various interpretations, sales laws in their many forms, statutes of fraud, consignments, the many selling terms for scores of trades, the various forms of mechanics—all these and many other subjects call for facts.

No credit man can possibly keep so many facts in his head. The Credit Man's Diary and Manual of Commercial Law records these facts so that he can have them at his fingers tips. This year, as in past years, it is built around the problems that are actually sent us and incorporated in the volume. It is a hand book of practical information in layman's terms, covering such subjects as Assignments, Attachments, Bankruptcies, Guarantees, Sales and Sales Terms, Limitations, Exemptions, Consignments, Contractions and Cancellations, Commercial Paper—and scores of other subjects each of vital interest to credit men.

It presents these subjects and interprets the laws covering them, federal and state. It points out the peculiar points of various laws and affords ready reference by tabulation for all states. It is brought up to date, covering the latest interpretations, and changes through 1923.

### GET YOUR COPY NOW

Don't be without a copy of this valuable book this year.

It costs only \$3.50. A well known credit man says, "if it were necessary to obtain this material from other sources it would mean a cumbersome and expensive library that would be constantly getting out of date."

Remember, last year's edition was completely exhausted. Make sure you get yours by filling out the coupon today.

National Association of Credit Men,  
41 Park Row,  
New York, N. Y.  
Gentlemen: Please reserve for me and send as early as possible.....  
copies of the Credit Man's Diary and Manual of Commercial Laws for 1924 at \$3.50 per copy.  
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35 Sudbury St., Boston, Mass.

## A Credit Man's Letter To His Congressman Is Not Propaganda

By R. P. Shealey,  
Washington Correspondent of the  
CREDIT MONTHLY

**T**AXATION reduction, no bonus, or taxation reduction and bonus, which? At the date this article is written, December 12, the Congressional atmosphere is so charged with the smoke of skirmishes that one sees everything through a haze. But one thing is certain: every owner of property in this country, big business man or little, employer or employee, is behind President Coolidge and Secretary Mellon for taxation reduction and so insistent is the cry and so strong the public sentiment that some legislative relief seems certain. What can the credit man do to help?

Well, a Senator or Congressman is a very human being, more so than most of us realize, and he does not regard it as propaganda, inspired or otherwise, when his credit manager constituent tells him his honest convictions on taxation or for that matter on any other matter before Congress. And his close touch with the political situation in his own state, be he a Republican or a Democratic member makes him sensitive to another phase of taxation stressed by the President in his message but seemingly passed by in Washington and that is, that not only must federal taxes be reduced but state taxes as well.

Taxation, bonus, tariff, railroad consolidation, merchant marine, finance, immigration, Muscle Shoals, blue sky, reclassification,—all these subjects are now before Congress in the shape of concrete measures and ready for action. But on the eve of a presidential election public sentiment does not seem to be sufficiently crystallized by any important measure, except taxation, to give assurance that many of them or even any of them will be acted upon at this session of the Sixty-eighth Congress.

## Misusing the Mails

**C**REDIT men are frequently able to secure the conviction of crooked merchants who use the United States mails to defraud by giving false statements. Another misuse of the mails is by the fake stock salesmen.

Not long ago the Better Business Bureau of St. Louis accumulated in one file the printed matter sent in response to a single post card inquiry. The file itself weighed about 11 pounds; it represented 91 mailings; 125 envelopes were used; 79 multigraphed pages representing 13 one-page letters, 20 two-page letters, 6 three-page letters, and 2 four-page letters; 52 faked newspapers of four or more pages were sent; 39 pieces of highly lurid prospectus material were utilized; 34 return post cards furnished; and 72 subscription blanks were sent.

## ZEPHON'S COLUMN

**C**URIOSITY is one of the strongest characteristics of C. D. West, better known as "Zephon," Manager of the Investigation and Prosecution Department of the National Association of Credit Men. He invites every credit man to read the names listed herein and if interested to write to him or to the CREDIT MONTHLY.

## Addresses Wanted

ABRAHAMSON, W., 1819 Roosevelt Road, Chicago, Illinois.  
BAILEY, JOSEPH M., claiming to be Secretary and Treasurer of the Purity Pocahontas Coal Company, and also Buyer for the Bailey Pond Creek Coal Company, of Williamson, West Virginia.  
BATH, B. B., Statesboro, Georgia, and Savannah, Georgia.  
BEDENBAUGH, JAMES W., formerly in the ice cream manufacturing business at Augusta, Georgia, and Spartansburg, South Carolina. Previous to that was located at Gastonia, North Carolina.  
BENSICO, EMILY, recently at 100 East Tremont Avenue, Brooklyn, N. Y.  
BOLLINGER, H. U., last heard of at Marysville, California, and prior to that was located at Sacramento, California.  
BURRIS, GEORGE, Bloomfield, Nebraska.  
CARL, GEORGE, formerly in the Brokerage and Commission business in the Cartier Building, 212 McGill Street, Montreal, Canada.  
COONS, O. A., formerly in the silo and lumber business at Hammond, Louisiana, and later in Freeport, Illinois.  
COPLEY, L. L., last known address 216 Wyoming Street, El Paso, Texas.  
CRAMER SPECIALTY CORP., previously at Watertown, N. Y.  
EVANS, J. H., Zanesville, Ohio.  
FEUERSTEIN, H. SON, formerly operating at 1519 State Street, Bridgeport, Conn.  
GLAUDER, MARIE, 7742 Woodward Avenue, Detroit, Michigan.  
GRAYSON, HENRY, formerly proprietor of Fieldstone School for Girls, Riverdale-on-Hudson, N. Y.  
HENDRICKSON, H. E., formerly of 1406 Lincoln Street, Wahoo, Nebraska.  
HOLST, VICTOR, San Acacia, Colorado.  
HORNDROP, M. A., a public accountant, formerly located at 2418 Park Row, New York City.  
JOHNSON, J. B. Sr., formerly connected with Chero Cola Bottling Company, Bristol, Va. K. & S. COMPANY, Merchant Tailors formerly operated by W. Karaskiewicz and Frank Swalkiewicz, at 1114 Broadway, Buffalo, N. Y.  
KEAN, F., recently operated business at 4948 Easton Avenue, St. Louis, Mo.  
KRAGER, PETER, Wessington Springs, South Dakota and 400½ 5th Street, Waterloo, Iowa.  
LINEMAN, E. A., Mechanicsville, Iowa.  
LOCKE, H. C., recently at the Great Northern Hotel, Chicago, Illinois.  
LORETTO, LOUIS, formerly trading as Loretto Bros., at 124 Mott Street also 47 West 42nd Street, New York City.  
McFAY, represents himself as being an agent for the General Petroleum Company, of Cleveland, Ohio.  
MAN-IN DIS COMPANY, recently operated by Frederick E. Wood and E. C. McKay, at Detroit, Michigan.  
MERRILL, A. J., proprietor of the Atlas Athletic Equipment Company, formerly at 91 Dwight Street, Springfield, Mass.  
MYERS, RALPH D., Lake Park, Iowa.  
OBERLET, H. & CO., 270½ Broadway, New York City.  
O'DELL, C. L., Cedar Rapids, Green, and Charles City, Iowa.  
PETERSON, THOS., formerly of Hibbing, Minnesota and later at 1135 South Catalina Street, Los Angeles, California.  
POLLACK, L., 1126 Foster Avenue, Chicago, Illinois.  
PRESTKA, MAX, Goose Lake, Iowa.  
RELIABLE AUTO SUPPLY CO., formerly operated by Joseph J. Caslow and Sidney Jablow at 180 Glenmore Avenue, Brooklyn, N. Y.  
ROBINEAU, S., recently operated the Hardware & Variety Dealers, Inc., at 2118 South Michigan Avenue, Chicago, Illinois.  
ROYAL MANUFACTURING COMPANY, formerly operated by Paul Altman and Leo Fuerst, at Columbus, Ohio.  
SPENCE, W. L., formerly operated business under name of J. P. Parker, at 2220 South Harwood Street, Dallas, Texas.  
WHITING, J. CHURCHILL, Hotel Illinois, Mendota, Illinois.  
WILLIFORD, CHARLES, formerly of Mt. Pleasant, Iowa.  
WYATT, J. L. & B. A., formerly located at Farrar, Georgia.

## Information Wanted

Members or who received orders or have correspondence with STEARNS & OBLER, of Poughkeepsie, N. Y., please communicate with this office.

Parties having received communications from the following will please communicate with this office: Soap Products Company, 218 S. Main Street, St. Louis, Missouri. Dickerson Mercantile Company, 1317 N. Grand Avenue, St. Louis, Mo. Central Mercantile Company, Jefferson Bank Bldg., St. Louis, Mo. St. Louis Merchandise Company, Jefferson Bank Bldg., St. Louis, Mo. St. Louis Grocer Products Company, 2217 N. Broadway, St. Louis, Mo. The McKnight Company, 2521 N. Broadway, St. Louis, Mo. Dieb Mercantile Company, St. Louis, Mo.

## Positions Wanted

**EXECUTIVE'S ASSISTANT**—Ten years' practical banking experience with New York City bank; one year with commercial paper broker; four years resident manager with nationally known financial reporting company. Age 35, married. Protestant. Minimum salary \$3,500. Address Advertisement 890.  
**ACCOUNTANT**—Foreign exchange man and executive wants position in credit department of a large organization where he can learn the credit business from the beginning. Age 27, well educated and has had successful experience, principally in the financial world. Moderate salary. Address Advertisement 891.  
**HIGH GRADE INDUSTRIAL ACCOUNTANT**—Of mature judgment and comprehensive experience, is available for executive or semi-executive connection. Age 32, married. Qualification comprises a thorough knowledge of accounts, costs, finance, business law, corporate procedure, inter-company relations, branch-house control, office administration and organization, systematizing, credits, collections, correspondence, etc., as well as a full measure of characteristics essential to successful office management. Salary \$4,000. Now located in eastern Ohio. Address Advertisement 892.  
**ACCOUNTANT, OFFICE MANAGER, CREDITS AND COLLECTIONS**—Age 42, married; at present employed, available 10 to 15 days. Desires making change where results and work are given recognition. Expert on books, costs, statistics and modern methods, 15 years' experience. Can prepare financial statements monthly or periodically, partnership, corporation. Best of references. Location Philadelphia. Initial salary \$3,200. Address Advertisement 893.  
**EXECUTIVE**—Age 30, married. Thoroughly experienced, tactful, successful credit record. Bank and mercantile references supplied. Available when required. Address Advertisement 894.  
**AMERICAN**—Many years' experience in export and import trade, also sales and foreign credits, desires position where same can be utilized, either with export firm, manufacturer or bank. Fluent in Spanish and Portuguese, would travel at home or abroad, is available immediately and can furnish highest references. Address Advertisement 894.  
**CREDIT COLLECTION, OFFICE MANAGER OR ASSISTANT**—Age 33, married; formerly in textile and oil business; six years' experience in credits and collections and eleven years in accountancy. Wide experience in handling successfully difficult credit and collection problems; good references, available immediately. Address Advertisement 895.  
**CREDIT MAN AND OFFICE MANAGER**—Middle aged, over 5 years' experience in retail dry goods credits as executive and officer in corporation. Accustomed to large responsibilities. Desires connection with wholesale or commission house, or in some other field of industry where a "Selling Credit Man's" services are essential. Excellent references. Address Advertisement 896.  
**CREDIT MANAGER OR ASSISTANT**—Fourteen years' experience in wholesale shoe business as salesman, credit man, general office man, and assistant manager and buyer. I seek a responsible position with commensurate salary. Age 41, married. Would prefer to locate in western coast states. Address Advertisement 897.  
**CREDIT MANAGER**—Fifteen years' experience with large corporations as credit and collection manager. Now employed by large manufacturing company in middle west. Good reason for desiring change. Best of references furnished on request. Age 35, married. Salary \$4,000. Address Advertisement 898.  
**CREDIT MANAGER**—Eight years with present employer, in charge of both domestic and foreign credits and collections, desires opportunity for further advancement. University and legal training and capable of assuming responsibilities. Age 40, married. Salary \$4,500 to start. Address Advertisement 899.

## Help Wanted

**WANTED**—A young man, about 25, to join organization of a large manufacturing concern located in central New York, for minor position in financial department, to assist in handling of credits, collections, etc. Prefer one with college training and with a year of practical experience. Compensation nominal to start, but a good opportunity for future. Address Advertisement 899.



Do you play golf?

if you do, you will remember invariably dropping your ball into the lake on that water hole with the dead easy carry. You always had your mind made up in advance that you were going in and consequently played the oldest ball in your bag. You know what the psychologists call it—a mental hazard. You just kidded yourself into believing that there was something terribly difficult about that hole and that there just wasn't any use trying.

There have been lots of foreign trade golfers who thought that foreign trade was foreign to them and everybody else. When they found they had to play the foreign trade water hole they had it all doped out that they were going to lose, so they played their oldest ball in the form of inadequate and inaccurate foreign credit information. They were licked before they started.

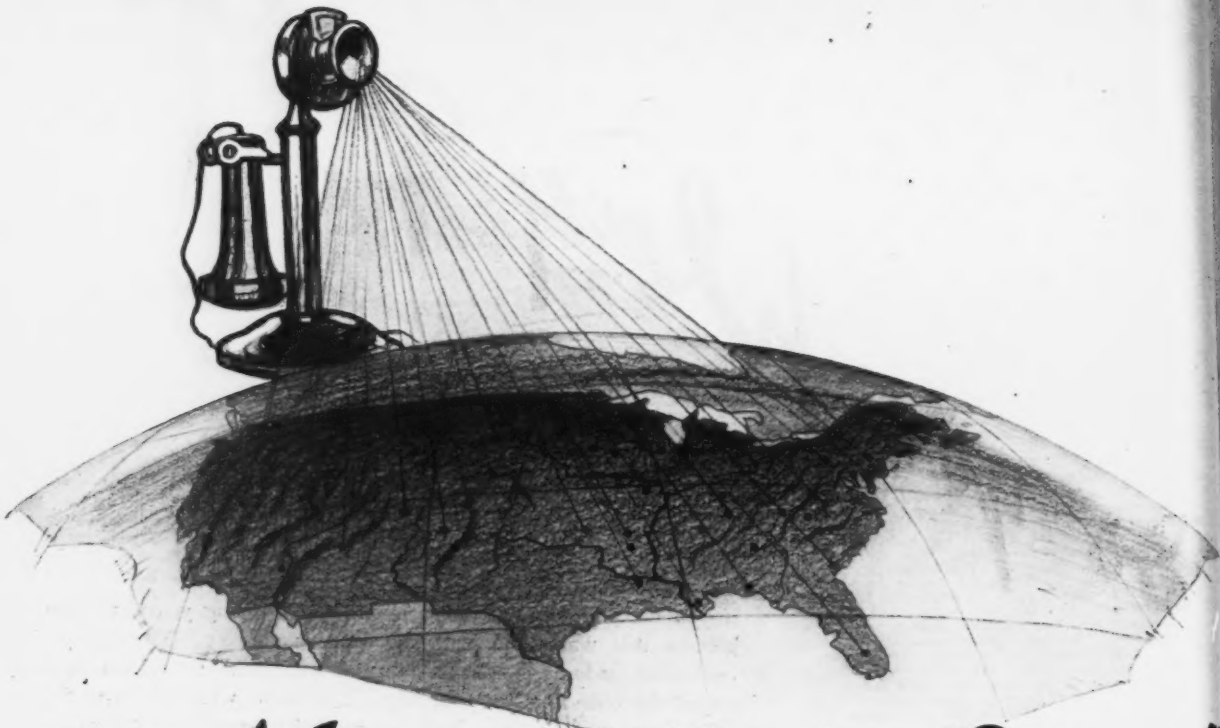
The hazard in foreign trade is a mental hazard entirely. The seasoned world trader considers himself a citizen of the world as well as a citizen of the United States and plays the game accordingly. He realizes that the average foreign order shipped with average care involves less risk than the average order shipped within our own borders.

The Foreign Credit Interchange Bureau is taking the mental hazard out of Foreign Trade by supplying exporters with authentic and up-to-the-minute foreign credit information. Leading exporters in all centers of the country are co-operating with this Bureau which is a department of your own National Association of Credit Men.

Can you in the best interests of your firm afford to be without it? The Bureau can't afford to be without you!

You can obtain the complete story of the Bureau by addressing the Foreign Credit Interchange Bureau, 41 Park Row, New York, N. Y.

# As near as



## -an Adjustment "Service Station"

### LEGENDS ON OPPOSITE PAGE:

A—Indicates Bureau  
not handling Personal  
Investigations.

B—Do not handle Col-  
lections.

THE National Association of Credit Men, through its Adjustment Bureaus, extends a helping hand to business in every section of the United States.

Eighty "Service Stations"—there is one near you, or near that case that is bothering you—stand ready to conduct personal investigations or make adjustments of a debtor's condition; to serve in a fiduciary capacity in friendly adjustments of any character, except bankruptcies, for the good of all creditors; to serve in a fiduciary capacity in bankruptcies, in addition to attending hearings even though a representative of the Bureau is not receiver or trustee; to handle collections in their respective cities or forward them. (See legend to right).

Collection Items are received by a Bureau with the understanding that should developments indicate the necessity of action for all creditors, the interest of one shall be subservient to all. Each claim submitted should be accompanied by complete data and instructions.

Here is your opportunity to help yourself and serve the cause of efficient credit methods. Make use of it. For further information, write C. H. Woodworth, Manager, National Adjustment Bureau.

National Association of Credit Men  
41 Park Row New York



## ADJUSTMENT BUREAUS

NATIONAL ASS'N.

